

**EXAMINATION OF PROGRESS TOWARDS
NORMALISATION OF UNITED STATES -IRAN
RELATIONS UNDER IRANIAN PRESIDENT SEYED
MOHAMMAD KHATAMI AND PROSPECTS FOR
NORMALISATION**

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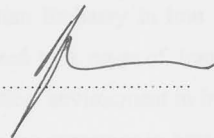
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I, Bernard Francis Lynch (Student No. 9352950), declare that this sub-thesis is my own work and that all sources used have been acknowledged.

Signed.....



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This work is dedicated to Amity's and to all those in Iran working towards a more democratic system.

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ABSTRACT

For close to two decades, Iran and the United States have been politically estranged. Comprehensive US economic sanctions have dried up most economic interaction. After pursuing a very tough policy of containment and isolation of Iran earlier in the 1990s, the Clinton administration has now invited Iran to engage in an official dialogue to discuss developing a road map to normalisation. This change of tack on the part of the United States has been prompted principally by the election in mid-1997 of the reformist Iranian President Mohammad Khatami. Iran, for its part, has so far rejected the offer of official dialogue, though Khatami has signaled a desire for détente and rapprochement. However, an increasingly discordant political atmosphere in Iran is constricting Khatami's room for manoeuvre.

In this sub-thesis, I will examine Khatami's thinking and agenda, particularly his emphasis on détente and dialogue of civilisations in Iran's foreign policy. I will look at the barriers to normalisation, including the key domestic political factors on both sides impeding rapprochement. I will track developments between Iran and the United States since Khatami took office, illuminating the significance of specific developments and their impact on the détente process. I will conclude with an assessment of why it is in the interests of the two countries to mend fences and an analysis of the short, medium and long-term prospects for normalisation.

REVIEW OF SOURCES

My research for this sub-thesis has benefited from my extensive exposure to the issue through my work as a diplomat with the Australian Government. A research trip to Iran in April 1999 enabled me to update myself on developments in Iran through contacts with well-placed individuals close to the system, as well as with diplomatic colleagues based in Tehran. Part of the research for this sub-thesis has been facilitated through frequent contact with a range of people in and around the US administration in Washington where I am currently based.

I have also relied on Australian diplomatic reporting for useful background and insights into official thinking in Tehran and Washington. I have been deliberately non-specific when referring to the comments and assessments of officials, as I am not at liberty to quote classified government documents. For this same reason, I have not made specific reference to these reports in my bibliography.

There is as yet little or no published academic literature in Farsi analysing developments in US-Iran relations under Khatami and prospects for normalisation. The issue is still a somewhat taboo subject in Iran, with the Iranian government yet to explicitly acknowledge its interest in restoring relations with the United States. However, the Iranian press has become increasingly bold in running interviews and commentaries on the issue, which I have drawn on extensively throughout this paper. Khatami's writings, *Hope and Challenge* and *Islam, Liberty and Development*, both translated into English through the Institute of Global Cultural Studies at Binghamton University, provide a comprehensive insight into Khatami's world view.

On the American side, there are a range of scholarly writings on US-Iran relations, but these generally deal less with prospects for normalisation, concentrating more

on offering historical perspectives or critiquing US policy. The issue of relations with Iran is a politically charged one in the United States, with the result that many writings on recent developments contain a strong element of advocacy. The Israel lobby in Washington is particularly effective in ensuring the United States maintains a tough line on Iran, and is quite prolific in churning out assessments compatible with that agenda. For instance, "*Iran under Khatami*", a 1998 monograph put out by the Washington Institute for Near East Policy, urges a continuing tough US line on sanctions against Iran, reflecting the strong pro-Israel orientation of that Institute. It fails to address adequately how domestic political factors on both sides are impacting on prospects for a breakthrough.

The Nixon Center's monograph, entitled "*America and Iran - Road Maps and Realism*", authored by Geoffrey Kemp in the same year, offers arguably the most comprehensive survey of US-Iran relations to date, setting out in detail the range of barriers facing the two countries. But, like the Washington Institute publication, it does not deal specifically with possible timeframes and associated scenarios for normalisation, as I do in this paper. Rather, it focuses on advocating ways to overcome the range of identified obstacles to normalisation. Kemp's monograph does discuss aspects of the domestic political debate in Iran, but does not draw out sufficiently the dynamics of the debate. Kemp's description of the US political environment is far more comprehensive.

In researching this sub-thesis, I have also carefully scrutinised the transcripts of speeches and statements by senior government figures on both sides, as well as US State Department and Iranian Foreign Ministry statements. Such statements generally represent official policy. In the case of Iran, I have also examined the statements of key regime figures outside the administration, particularly those of the leader, Ayatollah Khamenei. Khamenei has final say on relations with the United States. Statements of such key figures also shed light on the domestic political currents affecting prospects for rapprochement and normalisation.

OVERVIEW

The overwhelming victory of the reformist cleric Seyed Mohammad Khatami in the Iranian presidential election of May 1997 over the regime's preferred candidate, Majles Speaker Ali Akbar Nateq Noori, shocked the conservative rightist political establishment. The left-leaning Khatami had been allowed to run essentially to encourage greater voter participation and legitimise the process as democratic and inclusive. He was not expected to win, and certainly not by such an overwhelming margin. Khatami's victory raised expectations, both in and outside Iran, of a new era of political and social reform and democratisation, and of improved ties with the West, including the United States. Indeed, the past two years have seen Khatami, in the face of considerable domestic political obstructionism, achieve significant progress in advancing his domestic reform agenda, while improving Iran's international standing.

In what was seen as somewhat of a bold step, Khatami, in an interview with CNN in January 1998, encouraged the two countries to pursue a range of second-track, non-official contacts. This was widely interpreted in Washington as a clear signal of Iranian interest in mending fences with the Americans. Certainly it is consistent with Khatami's view of the importance of dialogue and interaction with the west and his commitment to *détente* as a pillar of Iranian foreign policy.

Khatami's election victory and his subsequent comments prompted the United States to review its Iran's policy and to propose an official dialogue aimed at breaking down the barriers to *détente* and devising a "road map"¹ to eventual normalisation. The Americans immediately embraced Khatami's proposal for

¹ Madeleine Albright, "Transcript of Speech to Asia Society", New York, 17 June, 1998

second-track exchanges, expecting that these would provide useful in preparing the way for an official dialogue. Throughout 1998 there was a flurry of activity, signals and gestures, but Iran has continued to reject government-to-government dialogue, much to the disappointment of the Americans.

Khatami is well aware of the potential benefits of détente with the United States, and would probably like to move quickly to an official dialogue. However, a major constraint on him is the increasingly turbulent domestic political atmosphere in Iran where his hard-line opponents have actively sought to frustrate any moves towards political détente with the United States. Moreover, decisions on relations with the United States require the imprimatur of the leader, Ayatollah Khamenei and other senior regime figures, most of whom are very wary of the ramifications of closer engagement, and unwilling to indulge Khatami's views on this matter.

Such attitudes also stem from a deep distrust felt towards the United States in the Iranian political establishment. This is a product of the rocky history of US-Iran relations, which would make the process of re-building confidence extremely arduous, even if a regime consensus to pursue this course were to be reached. While Khatami has managed to precipitate a partial breaking of the taboo on public discussion of the prospect of restoring Iran's relations with the US, his room to manoeuvre would be greatly expanded were there to be more unilateral gestures from the United States. Khatami and others have repeatedly declared the need for US action not simply words, if they wish to repair relations with Iran. Part of Khatami's current strategy has been to work actively to expand its relations with the other western countries and its neighbours. He hopes this will generate pressure on the United States to abandon sanctions and other punitive containment policies unilaterally.

The United States administration feels that it has gone far enough and that the ball is in Iran's court to address key US concerns - (1.) Iranian support for

terrorism; (2.) development of weapons of mass destruction (WMD) and missile delivery systems; and (3.) support for violent opposition to the Middle East peace process. Major unilateral gestures by the US administration, in the absence of a significant Iranian gesture, would be difficult to sell politically to the Congress and influential lobby groups. A practical difficulty for Khatami in relation to key US concerns is that he lacks authority over the pertinent areas of activity, which are largely under the control of the Islamic Revolutionary Guard Corps (IRGC) and the Leader.

While short-term prospects for a breakthrough and the commencement of an official dialogue are slim, medium and longer term prospects are far better. Both countries realise that normalisation is in their respective national interests, and therefore will continue to be attentive to possibilities for a thaw in relations. However, the road ahead is uncertain and filled with variables. It is still not clear whether Khatami will prevail over hard-line forces resisting détente, although the evolutionary process taking place in Iranian society will ultimately drive Iran towards re-engagement.

Chapter One

Khatami's Vision and Agenda

Introduction

Although Khatami does not enjoy unbridled authority in Iran's multifaceted power structure, his massive win in the presidential elections has given him considerable leeway to pressure the leader and other key regime figures to be more responsive to his vision and agenda. An understanding of Khatami's thinking is therefore crucial in gauging the broad policy direction of the regime. Khatami's vision of the West and how Iran should engage with it is of particular importance in understanding why Khatami is interested in détente with the United States.

Who is Khatami?

Khatami has proved to be one of the most reform-minded and popular politicians in the post-revolutionary era. The son of an eminent and respected cleric, Khatami's first public appointment was as head of the Islamic Cultural Center in Hamburg on the eve of the revolution. He later served in the first Majles and in 1982 was appointed Minister for Islamic Guidance in the leftist Islamist Mousavi government. He also held several defence-related roles during the war with Iraq while continuing in his ministerial post. In 1992, he resigned from his position as Islamic Guidance minister under pressure from hard-liners who accused him of being too lenient with censorship policy. The then president, Ali Akbar Hashemi Rafsanjani subsequently appointed Khatami head of the national library, where he remained until his election as president in 1997.

Khatami was put forward as a presidential candidate by the leftist clerical group, the Majma-ye-Rouhaniyan-e-Mobarez (MRM) or Society of Combatant Clerics after their preferred candidate, the non-cleric and former prime minister Mir-Mousavi declined the nomination. The MRM and its affiliates had essentially been out of power since the end of the Mousavi government in 1989. According to insiders close to the group, the conservative rightist leadership had made it known that they would not accept Mir-Mousavi as a candidate, given his popularity, his status as a non-cleric and fears they he would deal the rightist establishment candidate Nategh-Noori a humiliating defeat. Khatami was then agreed to as a fallback candidate. The political establishment viewed him as someone who could give a credible performance lending legitimacy to the electoral process, but who lacked the high public profile and political clout to seriously challenge Nategh-Noori.

When Khatami quickly started to attract broad public support, particularly among the traditionally politically apathetic secular youth, the political establishment became concerned. In my travels to various provincial areas during the campaign in April and May 1997, I was struck by the unity of opinion of ordinary Iranians that Khatami was by far their preferred candidate. They were impressed with Khatami's reformist vision, based on the constitution and rule of law. Khatami had avoided a populist rabble-rousing approach to campaigning, presenting himself as a humble servant ready to listen to the people. In contrast, Nategh-Noori was seen as arrogant and paternalistic, with little to offer other than simply protecting the vested interests of the political establishment².

As the election approached the political establishment became increasingly nervous and in the final days, both the leader and other key conservatives came out with some heavy and unsubtle hints to the populace to vote for Nategh-Noori. State television on the day of the election showed a close-up of the leader

² Conversations with students, shopkeepers and farmers in travels around provincial Iran in April and May, 1997

writing what was clearly Nategh-Noori's name on the ballot paper. Khatami nevertheless swept the field, in a massive slap in the face to the political establishment, whose clumsy efforts to influence the electorate had back-fired badly.

While Khatami was in good part the beneficiary of a massive protest vote against the regime, contrary to expectations, his popularity has not evaporated in the intervening period³. He has delivered on his undertaking to doggedly pursue an agenda of social and political reform based on the constitution and rule of law, which has won him the continuing loyalty of the electorate. The obstructionism of the conservatives has only served to bolster Khatami's image as a champion of the people and of sweeping reform of what has increasingly come to be seen as a corrupt and unrepresentative system.

But the irony is that Khatami is not a real political outsider and has always remained loyal to preservation of the system, based on the broad ideas laid down by Ayatollah Khomeini. Loyalty to the legacy of Khomeini is an important credential for any politician in Iran. In defending his commitment to reform, Khatami has emphasised Khomeini's belief in flexibility and expediency in Islamic governance. In his book, "Hope and Challenge", Khatami quotes Khomeini as follows:

One of the greatest problems of religious leadership is the role of time and place in decision making. Government specifies a practical philosophy for dealing with sacrilege and internal and external difficulties. But these problems can not only not be solved by a purely theoretical view of religion but will lead us to dead ends and the appearance that constitutional laws have been breached. While you must ensure that religious infractions do not happen - and I hope God does not bring that day - you must focus all your effort on ensuring that when encountering military, social and political issues, Islam does not seem to lack practical utility.⁴

³ Khatami received 22 million out of roughly 29 million votes cast winning the majority in almost all regions of Iran. A recent opinion poll published in the July 1999 issue of the monthly magazine Eghtessad-e-Iran (Iran Economy) showed that 78 per cent of the electorate would vote for Khatami again in the next presidential election in 2001.

⁴ Ruhollah Khomeini, "The Book of Light" (Sahifey-e Noor) Volume 21, p100, quoted in *Hope and Challenge*, (Binghamton University Press, New York, 1998) 42

In this way Khatami has been able to deflect conservative criticism that he is selling out on the values of the revolution in pursuing far-reaching reform. Indeed, the conservatives, albeit grudgingly, privately concede that Khatami has bolstered the legitimacy of clerical rule. That being the case, the conservatives have continued to ferociously protect their privileged position, making Khatami's job more difficult.

Taking his queue from Khomeini, Khatami has developed his own ideas about how best to respond to current realities to achieve a more prosperous society based on Islamic law. Unlike Khomeini, who preferred to emphasise a pan-Islamist view that transcended the Persian nationalism Khomeini derisively associated with the Shah, Khatami is a committed nationalist, who is willing to acknowledge the greatness of ancient, pre-Islamic Persian civilisation. For instance, in a first since the 1979 revolution, his administration organised a sound and light show at the ruins of Persepolis, the ancient capital of the Acheminian empire in southern Iran on the occasion of the Persian new year in March 1999⁵. His emphasis on national interest and Persian pride is squarely in keeping with contemporary popular sentiment.

Khatami knows that the morale of the people needs to be boosted and that they have to be encouraged to believe they have a real stake in the system if their continuing loyalty is to be ensured. Khatami is a strong advocate of the promotion of civil society which he believes is the key to ensuring a prosperous and stable society. One of Khatami's significant achievements in this regard was the successful holding of local council elections across the country in February 1999⁶. Provision had been made for such councils in the constitution, but the regime had never acted to implement the undertaking. In stark contrast to the

⁵ This was organised by the Ministry of Islamic Guidance. This is particularly significant as it was at this site in 1971 that the Shah organised a huge pageantry in celebration of 2500 years of monarchy and Persian civilisation, an event that was heavily criticised by the Islamists.

conservatives, Khatami believes that the Government is there to serve the people, not the other way round⁷.

As earlier mentioned, Khatami is strongly committed to the rule of law and tolerance of differing points of view. Under his administration, the press has flourished and become boldly outspoken on a range of issues which previously would have been largely taboo. But he and his reformist allies have had to weather constant attacks from conservative interests determined to shut down differing voices. The harsh crackdown on protesting reformist students in July 1999 has been the most recent manifestation of attempts by hard-line conservatives to intimidate pro-Khatami reformists into silence. Following attacks on students which left at least one dead, Khatami appealed for calm, expressing the following view:

it is important to guide this national consensus towards more basic affairs such as institutionalisation of the system within the framework of law and safeguarding people's rights and observing freedom and security with the objective of society's progress and consolidation of pillars of the system.⁸

The consensus Khatami refers to here is consensus among the leadership in condemning such lawless violence. The statement indicates both Khatami's commitment to much-needed reform, but at the same time his interest in preserving unity and the system. The paradox here is that the very system he seeks to preserve may not be able to weather the kind of extensive reform he is seeking, and importantly desired by the majority of the populace. Khatami has a difficult balancing act and this is probably one reason he has adopted a gradualist and consensual approach to reform. In so doing he believes the risk of convulsions that might threaten the foundations of the system can be minimised.

⁶ Over 100,000 local councillors were elected across the country.

⁷ Khatami, "Inaugural Speech to the Iranian Majles", Tehran, 4 August, 1997

View of the West

Khatami's view of the West is essentially one of qualified respect, tempered with a degree of wariness. Khatami accepts the view of Khomeini and orthodox revolutionaries that the United States, if given the chance, will again seek to subjugate and exploit Iran, politically and economically. In his book "Hope and Challenge", Khatami presents a very grim picture of Western political designs:

Politically, the West aims to govern all corners of the world and to dominate the theory and practice of international relations. It possesses the material and symbolic resources of power simultaneously, and it will stop at nothing to achieve its goals and protect its interests. Our struggle with the West is of life-and-death importance. In its political embodiment, the West does not wish us - or any people - to be independent, free, and masters of our own fate. For if one feature of Western imperialism is violating others' territories and exploiting their economies, the concomitant feature is dominating the world of ideas. The West propagates a worldview that lures its prey into subjugation.⁹

Khatami's thinking is reminiscent of Huntington's thesis concerning inter-civilisational fault lines and the inevitable clash of civilisations¹⁰. Khatami subscribes to the idea of the existence of several distinct civilisations, referring in particular to Islamic and Western civilisations. However, Khatami believes that civilisations can foster a lasting peaceful co-existence, and this theme has been a significant element informing Iran's foreign policy. At the same time, Khatami is primarily motivated by national interest considerations in calling for dialogue with the west¹¹. He believes it is essential to understand the system of values and thinking underpinning Western civilisation in order to be able to utilise Western know how and science for the development of a prosperous Islamic society. Through dialogue and interaction, Iran can learn from the West, the dominant world civilisation, and in so doing, eventually transcend the West.

⁸ Khatami, "Letter to Iranian Minister for Culture and Higher Education, Dr Moin", *Tehran Iran News* (Internet version) 12 July, 1999

⁹ Khatami, *Hope and Challenge* (Binghamton University Press, New York, 1998) 13

¹⁰ Samuel Huntington, *The Clash of Civilisations and the Remaking of the World Order*, (Simon & Schuster, New York, 1996)

¹¹ Khatami called for such a dialogue with the United States in an interview with CNN in Tehran on 7 January 1998. He also proposed civilisational dialogue during a speech to the UN General Assembly in New York on 21 September, 1998

Khatami believes that it is unrealistic for Iran to turn its back on the West out of fear of domination. It is not simply a choice between total capitulation to the West or complete rejection.

If we must adopt the positive features of Western civilisation, simultaneously casting aside its deficiencies, we have no choice but to understand the West correctly and comprehensively in the first place. We must judge it fairly and objectively and learn from and use its strengths, staying clear of its defects by relying on our revolution's Islamic values. And it is obvious that this approach is different from a rigidly political appraisal of the West. Those who cannot separate the political West from the nonpolitical West are acting against the interests of the nation and the Islamic revolution, even though they may be doing so inadvertently. Here, introspection, rationality and objectivity will be effective, not harsh words and violence.¹²

As we see here, Khatami's view is informed by a strongly pragmatic perspective attuned to what is in Iran's national interests. Iran needs the West for technology and investment, particularly for the development of its energy sector which currently provides more than 80 per cent of Iran's hard currency revenues. Turning one's back on the West would only exacerbate Iran's current economic difficulties and shorten the life of the regime.

Conclusion

It is clear that Khatami is strongly pro-engagement with the United States on pragmatic national interest grounds. He knows that Iran cannot cocoon itself and to do so would spell disaster for the regime. His call for inter-civilisational dialogue reflects as much a genuine belief in a gradualist integrative approach to interaction with the United States as it is a shrewd political calculation that this is the best way to overcome deep-seated resistance in the regime to dealings with the United States.

¹² Khatami, *Islam, Liberty and Development* (Binghamton University Press, New York, 1998) 68

Chapter Two

History of US-Iran Relations: 1953-1997

Introduction

An awareness of the recent history of US-Iran relations is important in appreciating the deep legacy of grievance and mistrust between Tehran and Washington which hampers steps towards normalisation.

As the leadership in Tehran has often stated, one of the key aims of the 1979 Iranian revolution was to break the cycle of Western, particularly American, hegemony over Iranian affairs. The ideology of the revolution was informed by a strong anti-Americanism. The United States was seen as an imperialist and hegemonic bully which would swallow up Iran's independence if given a chance, as it had done during the Shah's era. Ayatollah Khomeini himself described the relationship between the two countries as that of a "wolf and a sheep", with the US as the wolf. Such a description underscores the depth of paranoia, which has pervaded revolutionary thinking about US influence over Iranian affairs.

The Iranians historically viewed the British as ultimately controlling Iran's destiny. Iran had been a part of the colonial powers' 'great game' of the 19th century in which Britain, Russia and France vied for influence in the region¹³. The discovery of oil in the early part of the 20th century by the British led to the formation of the Anglo-Persian oil company, with Britain obtaining access to Iranian crude oil on terms heavily slanted in Britain's favour. The Second World War saw a decline in British influence in favour of the United States.

¹³ Peter Hopkirk's *The Great Game: The Struggle for Empire in Central Asia* (Kodansha America Inc, New York, 1992) provides a comprehensive account of this period.

American Intrigues and Alliance with the Shah

"I owe my throne to God, my people, my army - and to you!" -

(Shah Mohammad Reza Pahlavi - 21 August 1953)¹⁴

The seminal moment in transforming Iranian perceptions of the US as the new power behind the throne came with CIA involvement in a 1953 coup which overthrew the popular nationalist government of Mohammad Mossadegh and restored Shah Mohammad Reza Pahlavi to power. Mossadegh had nationalised the oil industry and consequently become a national hero. However, concerns that Mossadegh might move closer to the Soviet Union at the expense of the United States triggered the Americans, with British help, to oust him.

The Shah's return to power in 1953 was the beginning of a renewed alliance between the two Governments, with the Americans providing large amounts of military and civilian aid to support the Shah as part of its strategy to counter Soviet influence. With US support, Iran eventually became the most powerful regional state and the 'policeman of the Gulf', protecting Western strategic interests and serving as a bulwark against Soviet influence.

The strategic value of the alliance with the Shah led the Americans largely to turn a blind eye to the Shah's repressive rule and harsh treatment of political opposition. Even periodic American efforts in the 1960s and 1970s to coax the Shah to clean up his act in relation to human rights and political freedoms did not fundamentally affect the closeness of the relationship. The Americans had effectively replaced the British as the key foreign influence behind the throne, a status that attracted the opprobrium of those opposed to the Shah. For instance,

¹⁴ From CIA Agent, Kermit Roosevelt's book, *Countercoup-The Struggle for Control in Iran* (McGraw-Hill, New York 1979) 199, quoting the Shah's words to him immediately after a successful CIA-assisted coup to oust the Government of nationalist Prime Minister Mohammad Mossadegh.

the conclusion of a special status of forces agreement in the mid-1960s, which gave American service personnel in Iran immunity from prosecution by local courts, caused great ire among opposition groups, particularly Khomeini's Islamists.

1979 Revolution

The 1979 revolution caught the Americans off guard. The US Government had been reluctant to see the writing on the wall, underestimating the vulnerability of the Shah, who by then possessed one of the most powerful military machines in the world. It had not developed sufficient contacts with key opposition figures, relying too heavily on direct contacts with the Shah and his Government for information on developments. As former Carter administration official, Gary Sick describes, "the United States became the victim of its own policies. U.S. reliance on the shah had removed the incentives to maintain independent sources of information and analysis".¹⁵

While the United States maintained its diplomatic presence in Iran, the change of regime marked a sharp about turn in the relationship. The radical Islamist and leftist revolutionaries unanimously pointed the finger at America as a hegemonic power, which had colluded with the Shah in oppressing the Iranian people. In fact only a few days after the revolutionaries seized power in February 1979, they attacked the U.S. Embassy taking the staff and the ambassador hostage. The matter was only resolved with the quick intervention of the relatively moderate provisional Government of Mehdi Bazargan.

The subsequent seizure of the U.S. Embassy in November 1979 by pro-Khomeini student radicals was not so easily resolved, leading to a complete severing of diplomatic ties and the beginning of long years of hostility. Embassy

¹⁵ Gary Sick, *All Fall Down*, (Random House, New York, 1985) 38

staff were held hostage for a total of 444 days. Their release coincided with the inauguration of President Reagan. It is clear that the crisis contributed significantly to the loss of the presidency by Jimmy Carter. Compounding the tragedy of the crisis were the accidental deaths of several US military personnel involved in a clandestine rescue mission in April 1980. The whole saga transformed Iran into an international pariah state generating widespread anti-Iran sentiment throughout the U.S. On the Iranian side it resulted in the resignation of the Bazargan government and the ascendancy of the more radical leftist Islamist tendency.

Iran as a Pariah State

Iran's pariah status in the eyes of the United States and much of the international community was reinforced by its active pursuit of militant export of the revolution and its support for radical revolutionary groups. The Islamist revolutionaries, many of whom had spent time in Lebanon training with Palestinian and Shiite Lebanese groups prior to the revolution, believed that the Iranian revolution would only be secure if Islamist movements in other regional states were encouraged to overthrow their own Western-allied governments. They also had a strong ideological commitment to the annihilation of Israel and restoration of Palestinian lands. Iranian links to a range of bombings and hostage takings in Lebanon through the early 1980s further hardened the US position towards Iran. Notable among these incidents were the bombings of the US Embassy in Lebanon in April 1983 and of the Marine compound in October of that year which killed 241 American military personnel. Following these incidents, in 1984 Iran was placed on the U.S. State Department's list of countries that sponsor terrorism and has remained on the list ever since.

Since the US Export Administration Act of 1979, Iran had become subject to a range of US economic sanctions and prohibitions. With Iran's placement on the terrorism list, the scope of US economic sanctions against Iran increased. The

Reagan administration also imposed a tough arms embargo against Iran, known as "Operation Staunch"¹⁶ which made it increasingly difficult for the Iranians to obtain the necessary equipment and spare parts in their war with Iraq, which had begun in September 1980. American policy at the time, as with most other Western countries, was tilted in favour of Iraq. The Americans were happy to provide various forms of assistance to Baghdad, including valuable satellite intelligence, to help the latter's war effort against the mullahs' regime in Tehran. It was widely believed at the time that without such assistance Iraq would be defeated by Iran. Iran's continuing links to groups in Lebanon responsible for seizing US hostages only served to deepen Iran's isolation and US resolve to bring Iran to its knees.

In Iran, anti-Americanism continued to be a fundamental staple of revolutionary rhetoric. In countless rallies and speeches the U.S. was denounced as the "Great Satan". The hostile rhetoric only soured the atmosphere further.

However, as Iran began to feel the pinch of the US arms embargo in its war with Iraq, the leadership in Tehran realised that it could not afford to antagonise the Americans indefinitely. Iran's intervention in securing the release of US citizens in the 1985 hijacking of a TWA airliner by Lebanese militants was seen by Washington as the first tentative signal that Iran wished to re-engage with the international community¹⁷.

Then, in what later became known as the Iran-Contra affair, Washington saw an opportunity to gain Iran's help in the release of Western hostages in Lebanon in exchange for the sale to Iran of desperately needed arms. The US also hoped that there would be scope to explore a renewed dialogue with the Iranians. This highly secret plan also involved the clandestine channeling of funds from the arms

¹⁶ Geoffrey Kemp, *Forever Enemies?* (Carnegie Endowment, Washington, 1994) 23

¹⁷ Robyn Wright, *In the Name of God*, (Simon and Schuster, New York, 1989) 132

sales to the Contras in Nicaragua. However, the initiative was ultimately to backfire.

The main problems with the affair were the extreme political risks on both sides in having such dealings, poor communications and differing expectations. Iran's inclusion on the list of terrorism sponsors, in effect, made such US dealings illegal. To make matters worse, the intermediaries used by the Americans were unreliable and had misrepresented the extent of Tehran's ability or willingness to assist in the release of the Western hostages. The domestic political environment in Iran at the time did not permit any Iranian official to openly declare a readiness to mend fences with the "Great Satan". When the whole issue eventually became public in 1986, including the clandestine visit to Tehran of senior US officials, it caused a major scandal in the US, effectively ruling out any further prospect of dialogue or cooperation for the remaining life of the Reagan administration.

After the Iran-Contra affair, the Reagan administration adopted an even harder line with Tehran banning all Iranian imports. The United States also stepped up its presence in the Gulf, becoming involved in periodic skirmishes with small Iranian naval craft, manned by Revolutionary Guards. It also bombed Iranian installations in retaliation for attacks on US-flagged vessels. Iran's refusal to accept UN Security Council Resolution 598 of July 1987 calling for a cease-fire in the war with Iraq only isolated Iran further. Iran finally accepted the Resolution in July 1988 after major Iraqi victories were achieved with the help of US intelligence.

Just prior to Iran's acceptance of the cease-fire, a US naval vessel shot down an Iranian commercial airliner carrying 290 passengers over the Gulf in what appeared to be a case of mistaken identity. The incident occurred shortly after a skirmish between Iranian naval boats and the US vessel. Again this resulted in a massive denunciation of the United States in Iran. President Reagan's expression

of regret and his offer of individual compensation to the victims was dismissed as inadequate by the Iranians.

Post-War and Post-Khomeini Era

New conditions for a thaw in relations emerged after the death of Khomeini in June 1989 and the subsequent election of former Majles Speaker, Rafsanjani as president in August of that year. The radical leftist Islamist government which had been in power to that time was replaced by a reformist and technocratic administration under Rafsanjani, after amendments to the constitution abolished the office of prime minister, giving executive authority to the president. Such a sweeping reform of the structure of Government and the installation of a relatively junior cleric, then-Hojjatolislam Khamenei as Khomeini's replacement, gave Rafsanjani a freer hand to try to end Iran's isolation.

Rafsanjani was determined to move away from the strongly state-controlled, war-time economy of the previous administration to a more market-oriented one. The priority for the Government was economic reconstruction and development after the devastation of the war with Iraq. Central to this strategy was attracting foreign investment for much-needed economic reconstruction in the post-war period. This required a pragmatic policy of moderation and engagement with the West, aimed at restoring Iran's international image. Under Rafsanjani, Iranian foreign policy took on a new, more moderate tack with Iran trying to recast itself as a responsible member of the regional and international community.

A key issue of concern to the United States and other western countries throughout the 1980s had been the holding of Western hostages by Lebanese Islamist groups. Iran was blamed as being the principal sponsor of many of these groups. President Reagan had nearly come to grief over his administration's efforts to obtain Iranian help in the release of the hostages in exchange for arms. Indeed, the issue of hostages had dominated the final days of the Reagan

administration. When Bush took over he sent what was interpreted in Tehran as a clear signal that the United States wanted to do business with Iran. In his 1989 inauguration speech, Bush said

there are today Americans who are held against their will in foreign lands, and Americans who are unaccounted for. Assistance can be shown here, and will be long remembered. Good will begets good will¹⁸.

According to well-placed sources close to Rafsanjani's family circle¹⁹, when Rafsanjani took on the presidency in mid-1989, he believed that the time was ripe for a rapid thaw in relations with the United States. Iraq's invasion of Kuwait in August 1990 was a godsend to Iran in terms of encouraging conditions for a breakthrough with the Americans. For the first time, Iran was replaced by Iraq as the regional villain and bully. Iran felt vindicated in its claims of Iraq as an aggressor state and was delighted to see that years of US military and political support for Iraq had finally backfired on US interests. The Iraqi invasion prompted the US to make indirect overtures to Iran for Iran to remain out of the conflict.

Rafsanjani's subsequent intervention in the release of most of the remaining Western hostages in Lebanon at the end of 1990 and Iran's restrained and responsible role during the 1990-91 Gulf crisis, combined with the changed geo-strategic picture resulting from Iraq's isolation, raised expectations in Tehran that Iranian efforts would be rewarded with a substantial softening of US policies towards Iran. However, a US failure to 'reward' Iran for its responsible behaviour left Rafsanjani feeling politically weakened and humiliated²⁰.

Prospects for a thaw receded further through the remainder of Bush's term. In particular, Iran's strident denunciation of the November 1991 Madrid peace

¹⁸ Geoffrey Kemp, *America and Iran - Road Maps and Realism* (Nixon Center, Washington, 1998) 42

¹⁹ 1994 conversation with president's son

²⁰ Kemp, *America and Iran - Road Maps and Realism*, 42

conference and its holding of a rebel conference of rejectionists; continuing signs of Iran's involvement in terrorism, notably the assassinations by agents of the regime of several Iranian dissidents over that period, including former Prime Minister Shahpour Bakhtiar in Paris in 1991; and growing US concerns over Iran's interest in pursuing the development of weapons of mass destruction effectively derailed prospects for early détente and rapprochement between the two states.

Clinton Era Policies

By the start of the Clinton administration in 1992, anti-Iran sentiment in Washington was firmly entrenched. Early in his first term, Clinton adopted a new policy of "dual containment"²¹ at the behest of the Israel lobby. The policy was designed to isolate and weaken both Iran and Iraq as twin pariah states. The Iran-Iraq Arms Non-Proliferation Act was introduced as part of the new policy in 1992, bringing in a wider prohibition on the sale of arms and the transfer of restricted goods and technologies, including nuclear material and technology to those countries. In the case of Iran, the areas of particular concern to the US were Iran's continuing support for terrorism; its ambitions to develop weapons of mass destruction (WMD); and its strident opposition to the Middle East peace process.

Despite the new US policy and associated fears in Iran that the Americans were plotting the overthrow of the regime, Rafsanjani nonetheless remained privately disposed towards normalisation with Washington. He knew that normalisation could turn around Iran's failing economic fortunes by opening the way for large-scale investment. Iran's awarding of an offshore gas contract to US company, Conoco in early 1995 was intended as another signal to the US of Iran's interest

²¹ The architect of this policy was Martin Indyk, an academic at the pro-Israel Washington Institute of Near East Policy. Indyk was appointed to the National Security Council in charge of Middle East policy and then went on to serve as US ambassador to Israel. He is now Under Secretary of State for Near Eastern Affairs.

in engagement. However, following complaints from the Europeans that the US was exercising double standards in criticising European commercial dealings with Iran while US companies were purchasing the lion's share of Iranian oil, Clinton announced in April 1995 that he would ban all US trade with and investment in Iran. This forced the subsequent withdrawal of Conoco from the deal, which was later taken over by the French company, Total. The US rationale was that any help to Iran's economy would generate revenue for Iran to pursue its unacceptable policies, particularly its WMD development programs.

In mid-1996, inspired by the Israel lobby, the US Congress passed a new law, the Iran-Libya Sanctions Act (ILSA)²², which provided for secondary sanctions against third countries investing more than USD40 million in the development of Iran's energy sector. This was in part introduced to appease disgruntled US oil companies, which saw their European competitors unfairly advantaged. The rationale for the legislation was the same as it had been for the ban on US commercial dealings - curbing Iran's capacity to pursue unacceptable policies and behaviour. It was targeted specifically at foreign investment in Iran's energy sector, as this sector was where Iran derived the bulk of its hard currency

In June 1996, a truck bomb killed 19 US servicemen in Dhahran, Saudi Arabia. The finger was quickly pointed at Iran as possibly involved in the planning of the attack. The US administration even threatened military strikes against any foreign government involved in the bombing²³. This was another serious blow to prospects for a thaw in US-Iran relations. Besieged by growing debt and other economic problems and subject to stepped-up US economic sanctions and accusations, Rafsanjani had little room left to manoeuvre to justify unilateral Iranian overtures to the Americans for a thaw in relations.

²² Also known as the D'Amato-Gilman Bill

²³ After an investigation which dragged on for close to two years, which saw the Saudis withdraw their cooperation from US investigating authorities, the Saudis declared in 1998 that there was no foreign involvement and those responsible were local Islamic extremists, opposed to the US military presence in Saudi Arabia.

The surprise election of Khatami in May 1997 prompted the Americans to conduct a major policy review to see how the United States might respond to the changing political environment in Tehran and the emergence of a popular figure committed to political reform and liberalisation and a foreign policy of détente. While the policy review did not result in a lifting or easing of US sanctions, the emphasis was shifted from one of weakening and isolating Iran into submission, to one of simultaneously sanctioning and encouraging Iran to modify its behaviour and come to the negotiating table.

Conclusion

Overcoming the deep wall of mistrust which has developed over many years is no easy task. While sanctions have hurt Iran, they have not brought about the desired changes in Iranian behaviour sought by the United States. In the following chapters I will look at the Khatami era and how the US appears to be casting around for new ways to encourage Iran to come to the table. In the next chapter I will deal with Khatami's foreign policy, which has been lauded as highly successful both in improving Iran's international standing and placing pressure on the United States to abandon its hard-line policies towards Iran.

Chapter Three

Foreign Relations under Khatami: From Discord to Détente

Introduction

Geo-politics is an important factor in Iran's foreign policy, given Iran's location in a region supplying a large percentage of the world's energy reserves and its own importance as an oil exporter. Iran believes it has a central role to play in the security affairs of the region, a role that has largely been denied it since the 1979 revolution. Coupled with this is Iran's strongly-felt need to protect its independence, territorial integrity and national interests in the face of what it sees as western, particularly US, designs to exert undue influence over the country's affairs. Historical experience has made Iran particularly sensitive on this latter point, particularly the current regime.²⁴ Indeed, achieving independence was a key theme of the revolution. However, Iran realises that engagement with the west remains essential to Iran's national interests, particularly development of its economy.

I have already examined Khatami's thinking regarding engagement with the west. Khatami's 1997 election generated wide expectations, in and outside Iran, that he would move decisively to bring Iran back into the mainstream international community. As I have explained, similar expectations were raised after Rafsanjani became president in 1989. However, he was never able to achieve a true breakthrough in Iran's relations with the west, least of all with the United States. In addition, he had only moderate success in improving relations with Iran's Gulf neighbours, which remained dogged by an undercurrent of mistrust

²⁴ See Anoushiravan Ehteshami's chapter, "The Foreign policy of Iran" in Ehteshami and Hinnebusch's *Syria and Iran: Middle Powers in a Penetrated Regional System*, (Routledge, London, 1997) 27-56

and a range of significant irritants. In this chapter I will focus on Khatami's main successes on the foreign policy front and the reason he has been able to make much more progress than his predecessor in raising Iran's international standing. I will also look at how Iran's current foreign policy is informed partly by a strategic interest in pressuring the US to moderate its hard-line stance towards Iran.

Before looking in detail at the US and Iran and what has transpired since Khatami's ascent, it is useful to examine developments in key areas of Iran's foreign relations, which have some impact on prospects for US-Iran rapprochement.

Progress under Khatami

Essentially, there has been little departure in Iran's broad foreign policy direction under Khatami from that of his predecessor. Like Rafsanjani, Khatami holds that Iran must put its national interests first in order to build a strong and prosperous nation. Good relations with the west are essential to this aim, given the global economic and political dominance of the United States and the west. Furthermore, Khatami recognises the need for good relations with the Muslim world, to bolster the credibility of Iran's experiment with Islamic government and to demonstrate the regime's commitment to Islamic solidarity. There is also a strategic imperative in seeking improved relations with Iran's neighbours. Khatami rejects the notion that Iran should pursue a militant export of the revolution and take a gratuitously hard line against any country that displays pro-Western, pro-US leanings. That approach in the early years of the revolution turned Iran into an international pariah. Iran now places great store on increasing its international standing. In his first speech after his election, Khatami indicated his desire to pursue a policy of détente regionally and globally.²⁵ However, while

²⁵ Mohammad Mahallati, "Referendum for Change" in *Iran's Elections: Implications for US Policy* (Middle East Institute, Washington, 1997) 12

Rafsanjani laid the groundwork, he was unable to take full advantage of the opportunities or effect the kind of progress that Khatami has achieved since he took office in mid-1997.

So why has Khatami been able to achieve real progress towards improving Iran's international standing and relations with key countries, when Rafsanjani failed? Khatami's relative success in pursuing his foreign policy agenda so far is attributable to a number of important factors. Firstly, he has been able to cast himself as a fresh face in the regime (though he is not), as a reformer determined to achieve real change both domestically and in the international sphere. He has also been able to project himself as sincere and statesmanlike. This image, combined with his often-stated commitment to reducing tensions and building better relations with the international community, has evoked a very positive response from much of the international community. Another important factor has been the replacement of the long-serving, but ineffectual foreign minister Ali Velayati, who while enjoying the patronage of the leader Ayatollah Khamenei, presided over a bloated and inefficient foreign ministry. Velayati's successor, Kamal Kharrazi, appointed by Khatami, has been able to inject a new sense of purpose into the foreign ministry and introduce much-needed reform.

Khatami has also been the beneficiary of good timing. For instance, Iran's hosting of the Eighth Organisation of Islamic Conference Summit in December 1997 and its subsequent assumption of the OIC Chair proved a major turning point in the level of Iran's acceptance in the Muslim world. It provided Khatami with an important platform to present his moderate vision of Muslim solidarity and cooperation as a force for peace and stability in the world. The OIC Summit paved the way for an accelerated improvement in relations with a range of important Muslim countries, notably Saudi Arabia, Egypt and Jordan. The hosting of the summit allowed many Islamic heads of state, heads of government and/or senior ministers to gain a first hand experience of Iran. In addition, Iran, as OIC Chair, has been placed in a leadership and mediating role, most recently in

relation to Kosovo, thereby enhancing its credentials as a responsible international player.

Apart from his interest in seeking a thaw with the United States, Khatami has paid particular attention to two main spheres in Iran's foreign relations - the European Union and its regional relations, particularly the Gulf states, central Asia and the southern Caucasus.

Relations with the European Union

Khatami's commencement in office in August 1997 provided the trigger for a new improved phase in EU-Iran relations. By way of background, in April 1997 a German court had delivered a verdict against four defendants, including one Iranian, for the killing of a Kurdish dissident leader in Germany in 1992. To make matters worse for the Iranians, the court had implicated the Iranian leadership in the planning of the assassination. The ruling resulted in an immediate withdrawal of EU and other western ambassadors, a suspension of the regular 'critical dialogue' process²⁶ between Iran and the EU, and a general souring of relations. Khamenei, who has the final say of most issues, including foreign policy, had also weighed in to the dispute complicating Iranian Foreign Ministry attempts to resolve the matter and put relations back on track. However, the change in administration provided both sides with the opportunity to start afresh, symbolised by the return of ambassadors soon after Khatami's inauguration.

Since then there has been a gradual build up in high-level exchanges leading up to the most senior western visit to Iran since the revolution, that of then Italian

²⁶ This was a dialogue instituted by the EU in the early 1990s to provide a forum to discuss a range of EU concerns about Iranian behaviour and policies, including the 1989 Khomeini Fatwa against British author, Salman Rushdie. It was the central feature of an EU policy of constructive engagement with Iran, which allowed commerce to proceed while political contacts were more circumscribed and calibrated to Iranian behaviour and the political climate between the two sides.

Prime Minister Prodi in July 1998. Khatami himself visited Italy in March 1999 and both France and Germany have since invited Khatami to visit. The Khatami Government has also managed to normalise diplomatic ties with Britain, following an agreement reached on the fatwa against British author, Salman Rushdie²⁷. Under the agreement the Iranian Government gave an undertaking that it would not carry out or assist anyone to carry out the death sentence on Rushdie.

As we have seen, Khatami's interest in engaging the EU is firmly rooted in Iranian national and strategic interests. In the absence of relations with the United States, Iran has a vital need for EU investment and technology, particularly in Iran's energy sector, which provides 80 per cent of Iran's hard currency revenues. Without such investment, there is a danger that Iran's economy might collapse with ramifications for the survival of the regime. While the whole issue of relations with the West and foreign investment has, over the years, caused much internal debate over questions of economic independence and sovereignty, there is now a broad consensus in the Iranian leadership that the benefits of improved relations and accompanying Western investment and technology far outweigh any potential pitfalls of engagement with the West. This consensus was largely achieved during the Rafsanjani presidency. Already Iran has awarded several important tenders in its oil and gas sector to EU companies.

Another important factor for Khatami in seeking closer ties with the EU is a strategic interest in isolating the United States in its hard-line stance on economic sanctions. While most EU countries share US concerns about aspects of Iranian behaviour, they argue that isolating Iran economically would have a more negative than positive impact, and that the path to achieving desirable change in Iran is through economic and political engagement. While this stance is motivated

²⁷ In February 1989, Ayatollah Khomeini issued fatwa (edict) calling for Rushdie to be put to death for apostasy over allegedly blasphemous passages in his novel, "The Satanic Verses".

largely by European economic self-interest, driving a wedge between the US and the rest of the West in this regard serves Iran's interests. Improved Iran-EU relations highlight the failure of US containment policies and turns the tables on the US. Iran anticipates that US business interests will become its allies in pressuring the US administration to ease Washington's tough stance towards Iran. Indeed, Conoco, the US oil company which was denied the contract in 1995, has been a major force behind the formation of a business lobby known as "USA Engage" which advocates the abandonment of sanctions as a tool of foreign policy. In a recent article, Conoco president, Archie Dunham came out strongly against sanctions which he said were hurting American interests²⁸.

Relations with the Gulf States

Iraq's 1990 misadventure in Kuwait and its continuing isolation have continued to provide Iran with a strategic opportunity to build up closer relations with GCC states. For years GCC states were extremely wary of Iranian intentions, mindful of Iran's past actions and view of itself as the natural leader of the Gulf region. Khatami has made great advances in improving Iran relations with all GCC states, with the notable exception of the United Arab Emirates, which remains at odds with Iran over the sovereignty of three small Gulf islands. While GCC states will continue to treat Iran warily, most have seen Khatami's election as an opportunity to build genuinely cooperative relations with Iran. The May 1999 visit of Khatami to Saudi Arabia and Qatar was a major turning point in this respect. Khatami's visit to Saudi Arabia, following the visit to Iran by the Saudi Defence Minister and earlier the Crown Prince, has been a significant confidence-building exercise.

²⁸ Archie Dunham, "Sanctions Against Iran and Others are Hurting American Interests" *Middle East Insight*, May-June, 1999 55. Also, USA Engage chief coordinator, Rod MacAlister, said in July, 1999 that the group was planning to intensify its lobbying campaign on Capitol Hill for a lifting of sanctions.

Improved relations with the GCC, particularly Saudi Arabia, serve important Iranian economic and strategic interests. Despite frequent statements in favour of greater diversification in exports and a move away from almost sole reliance on oil, the regime in Tehran is well aware that oil will continue to be the mainstay of the Iranian economy for years to come. The severe drop in oil prices through 1998 buffeted the Iranian economy, highlighting just how vulnerable it is to oil price fluctuations. There is now a strong consensus in the Iranian system that good relations with major OPEC partners, particularly with its largest producer, Saudi Arabia, are essential to Iran's own economic security. A deal done with the Saudis in March 1999 on reducing OPEC production levels greatly assisted a subsequent price recovery, which has given Iran some economic breathing space.

Iran's strong interest in a reduction in or complete withdrawal of US and other Western forces in the Gulf is an important strategic aim in seeking improved relations with the Gulf states and securing a role for itself in regional security arrangements. Iran believes that while the US remains in the Gulf it will be extremely difficult for Iran to play such a role. Iran is a strong advocate of regional self-reliance in security. To quote Khatami on the subject,

We demand the unconditional withdrawal of foreign navies and forces from the region. We believe that the security and advancement of the region should be achieved by the people, nations and governments of the region.²⁹

Iran is genuinely concerned and frustrated by the continuing US military presence in the Gulf. It sees the US as both feeding a regional arms build-up and blocking the development of intra-regional security arrangements which include Tehran. However, Tehran will have a tough job in convincing its GCC neighbours to put their complete faith in Iran. All remain very sceptical of getting into bed with the Iranians, even though some, like Saudi Arabia, have been publicly encouraging of an Iranian security role. No GCC state has any immediate plans to abandon the insurance of a US and Western military presence - particularly while Saddam

²⁹ Khatami, *Hope and Challenge*, (Binghamton University Press, New York, 1998) 97

remains in power in Baghdad. Iran privately understands the reality of the GCC position and Iran's calls for the withdrawal of foreign forces are more an expression of a longer term hope than a genuine expectation. Nevertheless Iran will keep plugging away to highlight its stance and keep the pressure on the United States to openly acknowledge the legitimacy of Iranian aspirations in this regard.

The stance of Saudi Arabia, as the largest Gulf monarchy, is particularly important to Iran in its quest to promote a role for itself in regional security arrangements. This is partly why Iran has directed such intense diplomatic effort to improving ties with Saudi Arabia, and its efforts have yielded some results. Although Iranian Foreign Minister Kharrazi's description of Khatami's May 1999 visit to Syria, Saudi Arabia and Qatar as "ushering in a new era in Arab-Iranian ties"³⁰ may be a little exaggerated, there has been a qualitative shift in relations with Riyadh and clear signals that the Saudis are willing to be receptive to the idea of a security role for Iran. An important signal was the visit of the Saudi Defence Minister, Prince Sultan Bin-'Abd-al-'Aziz, to Iran in early May 1999.

While the Saudis have not agreed to an Iranian proposal for a joint defence pact, they recognise a legitimate security role for Iran in the region. When asked recently by a London-based Arabic newspaper whether he believed Iranian armament capabilities, especially missile capabilities, are a threat to Saudi Arabia and the Arab States in the Gulf, Prince Sultan replied: "That should be said by foreigners. As for us, we say that Iran's strength is a strength for Muslims".³¹ Shortly after Khatami's visit, Saudi Crown Prince Abdullah, in an interview with the London-based *Asharq al-Awsat* newspaper, described the two countries as having achieved "quantitative and qualitative progress in bilateral relations",

³⁰ "Kamal Kharrazi Interview" *Cairo al-Ahram al-'Arabi*, 29 May, 1999

³¹ "Saudi Defence Minister Interview" *London Al-Hayah*, 5 May, 1999

depicting this as "an achievement for us both and for the entire region". Asked about Iran's military ambitions, Prince Abdullah defended Iran:

Iran has every right to develop its defence capabilities for its security without harming others. We also do the same. All countries follow the same policy, then why only Iran is singled out here without mentioning others. Why don't you ask about the Israeli armament and its unlimited weapons development program.³²

Such comments by an erstwhile rival are music to Iranian ears. It is noteworthy that the question of an Iranian connection to the 1996 Dhahran bombing in Saudi Arabia now appears to have been dropped from the agenda. In the past the Saudis had insisted to the Americans that there was an Iran connection³³, but they later ruled out foreign involvement. The change in stance was widely interpreted as motivated by Saudi reluctance to reveal a link to Iran at a time of improving relations with Tehran. The US, frustrated with the conduct of the Saudi investigation, has since focused on Osama bin Laden as the prime suspect in the case.

Iranian efforts to reclaim its place in regional affairs and to gain support for an exclusive regional security cooperative will continue to be hampered by its islands' dispute with the UAE. The UAE has watched the Saudi-Iran rapprochement with some consternation, as it believes the islands dispute has been shunted aside by the Saudis and other GCC states. The GCC has traditionally, if not informally, linked resolution of this issue to substantive improvement in relations with Iran. The erosion of that linkage has alarmed the UAE. Iran for its part, while claiming its interest in improved ties with the UAE, has shown little willingness to compromise on its claim of sovereignty over the islands. While many of the GCC states have their own territorial disputes³⁴,

³² *Reuters Internet*, 1 June, 1999

³³ Philip Shenon and David Johnston "U.S.-Saudi Inquiry Into '96 Bombing is Falling Apart" *The New York Times*, 21 June, 1998

³⁴ See R. Litwak's monograph, *Sources of Inter-State Conflict*, (International Institute for Strategic Studies, published by Gower, Aldershot, UK, 1981) for a comprehensive account of the range of territorial disputes in the Gulf region.

Iran, as a non-Arab state with a history of hegemonic policies in the region, will find that the strategic advantage of having possession of the islands may eventually be outweighed by the damage the issue does to Iran's broader strategic objectives - i.e., achieving both a withdrawal of Western military forces and a central role for itself in regional security arrangements.

Relations with Iraq

What transpires in Iraq is another important issue with ramifications not only for GCC-Iran relations, but importantly for Iran's economic fortunes and the rapprochement with the United States. In terms of regional security, a resolution of the Iraq problem would, in Iranian thinking, remove the immediate justification for a continuing Western military presence in the Gulf. Having said that, Iran would be concerned if resolution of the issue meant the replacement of Saddam with a pro-Western regime and/or the break-up of Iraq. This could not only end Iran's honeymoon with GCC states, but create new regional instabilities and concerns in Iran about encirclement and isolation at the hands of the US and allied states. Economically, any lifting of sanctions on Iraq, with or without a change of regime in Baghdad, would impact adversely on Iran. There would be a short-term fall in oil prices and, more importantly, Iran's attractiveness as a foreign investment destination could be eclipsed by the plethora of opportunities on offer in Iraq. Another Iranian concern is that a resolution of the Iraq problem could prompt the US to adopt an even more heavy-handed approach to Iran.

Meanwhile, Iran's approach to Iraq will continue to be a case of 'better the devil you know than the devil you don't'. Iran will keep trying to achieve a solid working relationship with Iraq, concentrating on bilateral issues of mutual interest while reaping the benefits of Iraqi isolation. However, complete normalisation is unlikely while Saddam remains in power.

Relations with Central Asia and the Caucasus

Iran's economic and strategic interests have also dictated an active policy of constructive engagement with its northern neighbours in Central Asia and the Caucasus. Economically, Iran hopes to become the gateway to this region, benefiting not only from transit trade but also serving as a supplier of goods and services. Importantly, the discovery of oil and gas reserves in the region, including the Caspian, has opened up new opportunities for Iran to participate in both the exploitation and transfer of reserves. However, Iran lacks the capital to invest in these countries and has been faced with competition from Turkey, Russia and, importantly, the United States, for influence. US opposition to the routing of pipelines through Iran, despite the favourable economics of the Iran route, has been frustrating for Iran. Iran has therefore, sought to present itself as a responsible and reliable regional player in an effort to convince both Central Asian governments and the large oil and gas consortia that US policy in this regard is misplaced. The oil companies, for their part, need little convincing of the economic logic of routing pipelines through Iran and US companies involved in the region have complained bitterly to the US administration over its pipeline policy.

Countering US 'Encirclement'

Strategically, Iran feels threatened by the growing US and Israeli influence in Central Asia in addition to the US presence in the Gulf. Some in Iran are convinced that the US and Israel are seeking to encircle Iran in an effort to contain and weaken it. Turkey's membership of NATO and its military cooperation with Israel only reinforce this perception. Iran has been careful to cultivate solid ties with Moscow, in part to counter the defacto US alliance against it.

In addition, Iran is convinced that the Taliban in Afghanistan are a phenomenon somehow encouraged by the United States. Iran's active participation in the

affairs of the region, both bilaterally and as a member of the Economic Cooperation Organisation, and its active participation in regional and international efforts to resolve the long-running conflicts in Afghanistan and Tajikistan demonstrate its determination to avoid containment and isolation.

Conclusion

Despite the progress it has made with the EU and most of its regional neighbours towards improved relations, it is clear that Iran's continuing enmity with the United States is a key limiting factor in its efforts to improve its international standing and, more importantly, its economy. Iran recognises that the US can and will continue to play a spoiling role in treating Iran as a hostile state which must be curtailed and contained. Hence, Iran will continue to devote considerable energy to courting other western countries and building up its credentials as a responsible regional player, in an effort to highlight the ineffectiveness of US hard-line policies towards Iran. In the next chapter, I will discuss the barriers to normalisation between Iran and the United States, dividing them into declared barriers and political obstacles.

Chapter Four

Iran and the United States: Barriers to Normalisation

Introduction

As we have seen, the history of US-Iran relations has left a difficult legacy of suspicion and mistrust. Both sides have referred to this “wall of mistrust” which needs to be breached if relations are ever to be restored. Indeed, building up confidence and trust is essential to overcoming the range of barriers to normalisation. Before we look in detail at developments in US-Iran relations in the Khatami period in the next chapter, it is useful firstly to detail the range of declared barriers to normalisation which have been publicly raised by each side, and to highlight the differing perspectives of the two countries. This chapter also examines the domestic political impediments to normalisation, which arguably are more difficult to overcome - particularly on the Iran side - than the declared barriers.

Declared Barriers

Since the beginning of the first Clinton administration, US policy towards Iran has remained fundamentally unchanged in its broad objective of pressuring Iran to change certain policies and behaviour. The United States has repeatedly identified the principal problem areas as

- Iran’s program of development of weapons of mass destruction
- Iran’s support for terrorism

- Iran's opposition to and obstruction of the Middle East Peace Process.³⁵

Iran's poor human rights record and, more recently, Iranian efforts to develop a medium-range missile capability, have also been identified as additional areas of key concern. The United States has linked a lifting of sanctions and normalisation to resolution of these identified areas of concern. But the US has made it clear that it is ready to sit down with the Iranians immediately to discuss these concerns, as well as any Iranian grievances against the United States. The holding of a dialogue is not contingent on resolution of these issues. This invitation represents a readjustment of previous US policy, which was simply to demand changes in Iranian behaviour and to employ pressure to try to compel Iran to comply.

Apart from taking issue with America's specified concerns, Iran has a number of its own grievances about US behaviour and policies. The specific concerns raised by Iran are

- US economic pressures against Iran - including sanctions, the non-return of disputed assets, exertion of influence on international financial institutions to Iran's detriment, impeding of technology transfer and opposition to pipelines through Iran
- US efforts to sabotage Iran's role in regional security
- One-sided US support for Israel
- Interference in Iranian internal affairs, particularly the allocation by the US Congress of a budget to undermine the Government of Iran
- US villainisation of Iran and its failure to acknowledge past injustices against Iran.

³⁵ "US State Department Press Briefing", 6 January, 1998

Iran's possession of chemical weapons stocks³⁶ and strong indications that it is attempting to gain a nuclear, and possibly biological, weapons capability continue to alarm the United States, Israel and their allies. Recent Iranian testing of medium range ballistic missiles capable of reaching Israel has increased that sense of alarm, particularly when coupled with US/Israeli predictions that Iran could have a nuclear weapon within five to ten years. This is probably the number one issue of concern for Washington.

Iran, of course, vigorously denies the existence of a clandestine WMD development program. It justifies its missile development program as part of a strategic defence, and not intended to be used offensively. In reality, such a strategic capability is a cheaper option to conventional armament to the level necessary to deter Israel and the US.

Iran takes particular issue with the restriction of technology transfer, accusing the United States and the West of impeding its legitimate economic development. For instance, it periodically complains about the additional export controls imposed by Australia Group members (largely developed countries) on transfer of dual-use chemicals beyond the lists annexed to the Chemical Weapons Convention (CWC), to which Iran is a signatory. Iran claims that, as a party to the CWC, it should not be penalised by additional onerous restrictions.

Similarly, in relation to transfer of peaceful nuclear technology, Iran, as an identified threshold state, has fallen foul of unilateral actions taken by the Nuclear Supplier Group to limit transfers. Iran is very frustrated by what it sees as a violation of its rights as a member of the Nuclear Non-proliferation Treaty, and

³⁶ According to the CIA Nonproliferation Center, Iran has continued to upgrade and expand its CW production infrastructure, even after its signing of the Chemical Weapons Convention in January 1993. Quoted in the monograph by P. DeSutter, *Denial and Jeopardy: Detering Iranian Use of NBC Weapons*, (National Defense University Press, Washington 1997) 48

US double standards, both in refusing Iran the kind of deal it gave North Korea to develop its civilian nuclear industry (not that Iran has ever asked for such a deal) and US silence on Israel's nuclear weapons program.³⁷ US administration officials admit privately that America is indeed exercising a double standard, and going beyond international norms in restricting Iranian access to all manner of nuclear technology. Such a stance reflects the level of US distrust of Iranian intentions. The US Congress is also particularly hawkish on this issue of sensitive technology transfer. In July 1999 the Congress voted overwhelmingly to withhold funding to the International Atomic Energy Agency, unless the US Secretary of State could certify that IAEA assistance to Iran would not assist it to gain access to nuclear weapons or nuclear technology³⁸.

The issue of WMD is a thorny one but not insurmountable. US intelligence reports leave little doubt that Iran is pursuing some kind of program for the development of WMD. But this is hardly surprising, inasmuch as Iran is not about to abandon what it sees as a strategically vital program while surrounded by countries with such capabilities, and while feeling threatened both by the US military presence in the Gulf and a nuclear-capable Israel. Indeed Iran is gaining some strategic mileage in keeping its adversaries guessing about its actual capabilities.

Terrorism

Terrorism is a politically charged issue with both sides doggedly trying to claim the moral high ground. As mentioned earlier, Iran has been on the US State Department's list of state sponsors of terrorism since 1984, and until this year was listed as the number one sponsor.

³⁷ Kemp, *America and Iran - Road Maps and Realism*, 58

³⁸ Known as the Menendez Bill. Passed on 19 July, 1999 by 383-1. The United States currently provides 25 per cent of the IAEA's budget.

The Iranians have assiduously defended themselves against US accusations, pointing out that Iran is a victim of terrorism. The problem is partly one of definition, which sharpens the differences between the two sides on this issue. Iran has repeatedly accused the US of double standards, on the grounds that it is a major sponsor of 'state terrorism', referring in particular to American backing for Israeli actions against the Palestinians and Lebanese Hizbullah. Iran has also accused the US of harbouring violent Iranian opposition elements, namely members of the Mujaheddin Al Khalgh Organisation (MKO).

US intelligence reports indicate that Iran is indeed assisting violent rejectionist groups and elements connected with the regime have probably been responsible for the assassinations of a number of opposition elements abroad. Iran, on the other hand, believes that its support for rejectionist groups does not constitute support for terrorism. While it does not admit to attacks against opposition figures, it would see assassinations of MKO members as executing swift justice against those who have killed and maimed Iranians, or are engaged in treasonable activities.

A major sticking point with the United States is over Iran's assistance to rejectionist groups and Lebanese Hizbullah, which the US identifies as terrorist groups. While Iran has scaled back the level of its financial assistance to these groups in recent years, it is unlikely to abandon them altogether, despite the continuing damage it does to Iran's standing with the United States. There are a range of religious and other linkages between key parts of the regime and rejectionist groups going back to the 1960s and 1970s. The empathy felt for the Palestinians and Lebanese Shiites is genuine and it would be difficult for the Khatami administration to choke off completely the flow of funding and assistance from Iran. A significant breakthrough in the Middle East peace process, particularly an accommodation between Syria and Israel and an Israeli withdrawal from southern Lebanon would make it easier for Khatami to push for a cessation or massive reduction in Iranian military and financial assistance to

rejectionist groups and the Lebanese Hizbullah, in the interests of mending fences with the United States.

This whole issue of terrorism is further complicated by the sensitivity of the intelligence, making it difficult for the Americans and others to offer publicly the evidence at their disposal to demonstrate undeniable proof of Iranian support for such groups. The other factor is the complexity of the Iranian system and the uncertainty as to what extent terrorist-related activity is state-sponsored or state-sanctioned.

Opposition to the Middle East Peace Process

US concerns over Iranian opposition to the Middle East peace process centre around alleged Iranian support to Lebanese Hizbullah and the various rejectionist groups such as Islamic Jihad and Hamas, rather than simply the fact of Iran's opposition to the process per se.

The prominence of the issue for the US stems from the close US-Israeli alliance and the strong influence of the Israel lobby on US policy on Iran. Iran's continuing refusal to accept Israel's right to exist and its historic commitment to Israel's annihilation only heightens the sensitivity of this issue for the United States.

In recent years, Iran has continually denied it is attempting to obstruct the peace process, claiming that it has a right to oppose the process, which it sees as unjustly tilted towards Israel, and as ignoring the Palestinian diaspora. A substantial breakthrough on the peace process would probably see the United States and Iran reach an accommodation on this issue.

Iran's Human Rights Record

Like most other Western countries, the US has been a vocal critic of Iran's human rights record for many years. Of particular concern has been the lack of due process, high number of executions, oppression of women and poor treatment of religious minorities, in particular Bahais and Jews. The US has co-sponsored the yearly UN resolutions in Geneva and New York expressing concern over Iran's human rights record. Having said that, this is more of a second-tier issue for the United States, because human rights in Iran do not impinge directly on US interests nor those of Israel.

Iran in turn has accused the US of political motivations in its criticism of Iran over human rights. While being careful not to adopt a culturally relativist position on human rights, Iran has nonetheless vigorously defended its record, saying that it observes human rights consistent with Islamic principles.

US Economic Pressures against Iran

This is probably Iran's central grievance against the United States and probably the most difficult hurdle to overcome in the short to medium term. It is hard to see much forward movement towards dialogue and rapprochement, while the United States persists in a calculated policy to contain, weaken and isolate Iran. Current US policy maintains that sanctions and other economic pressures need to be maintained on Iran to force it to modify unacceptable aspects of its behaviour, or at least to compel it to agree to sit down and discuss US concerns, ahead of any sanctions relief.

Iran, for its part, sees the sanctions as a US attempt to undermine the Islamic republic and re-assert hegemony over Iran. Iranian pride and current domestic political circumstances are unlikely to permit Iran to come to the table while such

sanctions are in place, even though sanctions have hurt Iran³⁹. This would be seen as a capitulation to US heavy-handedness.

The US claims that Iran's constant calls for the US to unlock Iran's disputed assets are misplaced. The United States has made it clear that there are no US holdings of Iranian funds provided for undelivered military equipment as has been suggested. (Iran had filed claims during the 1980s before the US-Iran claims tribunal in the Hague seeking billions of dollars for alleged US overcharges and non-deliveries of military equipment under the US foreign military sales program with Iran prior to the revolution. Those claims are still under active arbitration at the Tribunal. Decisions on them will be issued by the Tribunal.) However, Iran has also filed claims for billions of US dollars worth of property in the US allegedly owned by the late Shah and his family. This matter is currently under separate legal contest.

US Efforts to Sabotage Iran's Role in Regional Security

This issue is linked to the US military presence in the Gulf, which Tehran perceives as undermining its security and ambition to play what it sees as its rightful leadership role in the security of the region. Iran is also concerned about the large-scale arms transfers to Iran's neighbours across the Gulf⁴⁰, arguing that such sales and the continuing US presence only exacerbate tensions and insecurity. Having said that, Iran knows that the US plays a central role in containing Iraq and keeping Saddam weak.

The US, for its part, sees its continuing presence in this oil-rich region at this time as vital to its own national security interests and to its policy of containment of what it sees as the military and strategic ambitions of both Iran

³⁹ See J. Amuzegar's article, "Iran's Economy and the US Sanctions" *Middle East Journal*, 51-2 Spring 1997, pp 185-199

⁴⁰ Kemp, *America and Iran: Road Maps and Realism*, 49

and Iraq. Iran's opposition to the US presence in the Gulf would largely evaporate as an issue of contention, were there to be a rapprochement which involved Iran being brought into a regional security framework. US officials privately acknowledge that this option has not been entirely ruled out, but they expect it would be a slow evolution⁴¹. Although Iran does not admit it publicly, it is resigned to a continuing US presence in the Gulf, at least into the foreseeable future. Therefore, it would probably be responsive to entering a regional security cooperative framework, which involved the US, as part of a broader confidence building exercise.

One-sided US support for Israel

Iranian accusations of US partiality towards Israel are more part of the rhetorical war, where Tehran endeavours to highlight US double standards, in defence of Iran's hard-line position on the Middle East peace process. In reality, Iran is reconciled to the fact that the United States will continue in its strong support of Israel, not least because Iran appreciates the strength of the Israel lobby in Washington. This is not an issue that will provide a real hurdle to dialogue, particularly with a full or partial resolution of the Middle East peace process. Such a resolution would prompt Iran to tone down the anti-Israel rhetoric, improving the atmosphere for rapprochement.

Interference in Iranian Internal Affairs

The particular issue for the Iranians is the 1995 allocation by the US Congress of a \$20 million contingency fund to undermine the Iranian Government. While Iran is aware that this was little more than a political stunt by former Republican Congressional Speaker Newt Gingrich, and is not part of administration policy, which accepts the Islamic Republic as the legitimate Government of Iran, it is

⁴¹ Private comments of White House official in June 1999

nonetheless viewed by the Iranians as a blatant example of attempted US meddling in Iranian affairs.

US Villainisation of Iran and Failure to Acknowledge Past Injustices against Iran

This issue is more symbolic and rhetorical than substantive. While the anti-US rhetoric emerging from Iran has been colorful, Iran has nonetheless felt aggrieved by what it sees as a global propaganda campaign by the US to isolate and vilify Iran. As earlier discussed, there is a lot of historical baggage in the relationship which Iran feels the US has largely ignored. Iranian pride demands that the US acknowledge and preferably apologise for past wrongs against Iran.

Domestic Political Impediments

As I have already stated, domestic political factors, particularly on the Iranian side, are probably the major impediment to rapprochement and eventual normalisation. The historical legacy of grievances and mistrust and the Israel factor have made the issue of normalisation politically charged for both sides. In both countries, foreign policy is the product of a range of domestic political pressures and special interests, reducing the scope for flexibility on either side.

US Environment

In the US, the policy debate on Iran has intensified since Khatami came to power in Tehran. While most agree that an official dialogue with the Islamic Republic would be a useful step, the key question for policy-makers is how much 'carrot' and how much 'stick' to use with Iran in getting it to amend policies of concern to the US and/or agree to come to the table to talk.

A powerful Israel lobby and other hard-liners work assiduously to ensure that maximum stick is maintained with Iran, while it pursues policies of concern to the

United States. The American Israel Public Affairs Committee (AIPAC) is the most important lobby organisation in Washington for Israeli interests. It works closely with the Washington Institute for Near East Policy, an affiliated think tank. AIPAC has close links with Capitol Hill and provides a stream of legislation to the Congress designed to contain Iran and benefit Israel. For instance, AIPAC was behind the 1996 Iran-Libya Sanctions Act. The responsiveness of legislators to the AIPAC agenda is connected to AIPAC's ability to raise campaign finance and influence voter sentiment. The pro-Israel Jewish community is well organised and traditionally generous in supporting political causes and candidates. Few US legislators can afford to ignore the clout of the Israel lobby. The Republican-controlled Congress is therefore unlikely to cooperate with the US administration in a major loosening of tough US policies in the absence of a perceptible change in Iranian behaviour.

AIPAC and the Israel lobby also wield considerable clout with the Clinton administration itself, based on campaign contributions and the placement of strongly pro-Israel officials throughout key positions in White House, State Department and National Security Council. Indeed the Israel lobby has the major influence in setting the administration's Iran policy, and it is no coincidence that the three declared areas of particular US concern mirror the concerns of Tel Aviv. Moreover, Iran's sworn opposition to the existence of the state of Israel will continue to antagonise the Israel lobby in Washington, encouraging it to maintain a hard line on Iran, until Iran capitulates completely to US positions.

There is also a strong contingent of analysts and policy advisers in the State Department and the Pentagon who remember the US Embassy hostage crisis and the deaths of US servicemen at the hands of Iranian-backed groups in Lebanon and other places. This group similarly is in no hurry to extend Iran an olive branch.

The position of the hard-line group on Iran in Washington can be largely encapsulated in the arguments put forward in a 1998 monograph produced by the Washington Institute for Near East Policy, in which it is stated that current US policies of maintaining tough sanctions are efficacious and that "sanctions should only be eased or lifted in return for major concessions by Iran - not as a goodwill or confidence-building measure".⁴²

More moderate voices, including a range of academics, Iranian emigres and some business interests, argue that prolonged economic pressures on Iran only harm US strategic and economic interests, and strengthen the hand of the hard-line groups in Tehran. In short, they believe that a prosperous, secure Iran will be less dangerous than a poor, paranoid Iran. However, the moderates lack clout. For instance, "USA Engage", a business group lobbying for a lifting of sanctions and the opportunity to do business with Iran, has had little success so far in attracting the vocal support of members of Congress, mainly because many are skittish about being seen to be closely associated with a pro-engagement line⁴³.

Iran Environment

In Iran the picture is even more complex and the political environment more uncertain, as the unrest of July 1999 demonstrates. The existence of multi-centres of power greatly restricts the Iranian administration's room for manoeuvre and Khatami's capacity for unilateral action on rapprochement with the United States. There are few issues which generate as much controversy as the question of relations with the United States. This stems partly from the deep historical legacy of distrust and unresolved grievances, as well as the revolution's cry for independence from an imperialist and corrupt America. No Iranian

⁴² Patrick Clawson and Michael Eisenstat, "Opportunities and Challenges for U.S. Policy" in *Iran Under Khatami*, ed. Patrick Clawson, (Washington Institute for Near East Policy, Washington, 1998) 99-113: quote on p.102

⁴³ Conversations with 'USA Engage' members and an associated lobbyist in the last three months.

politician can ignore this without risking his or her political life. The concerns of the regime are not only of political and economic hegemony but also American/Western cultural influence that could erode popular support for the Islamic system.

The traditional right or conservative faction, which is associated with the leader, is particularly concerned about normalisation with the US spelling the demise of their hold over the people and the major levers of power. Specifically, they fear that ties would lead to accelerated Western cultural encroachment and secularisation. This group has the key influence over policy on the United States, principally because it is the leader who would have the ultimate say on such an important and strategic matter. In addition, the Islamic Republic Revolutionary Guard Corps (IRGC), allied closely with this political current, principally controls Iran's links to rejectionist groups and the Lebanese Hizbullah and Iran's WMD and missile development programs. The IRGC is under the patronage and command of the leader and therefore tends to ignore the more moderate voices in the Khatami administration who would like to see Iran make some gesture to appease declared US concerns.

Another major factor in the conservatives' opposition to rapprochement is the threat to lucrative business operations and monopolies held by members of this group. They are fearful that, if ties were restored under Khatami, members of the reformist administration would be better placed to form strategic alliances with US companies and to push the conservatives out of business.

Conservative opposition to normalisation is at the same time part of a naked power struggle for the future of the regime. The faction opposing ties is aware of the growing popular mood for normalisation and recognises that relations with the US would bring an economic boon to the country, lift the morale of the people and solidify Khatami's grip on power. Already threatened by Khatami's widespread popular support, they do not wish to hand him the major victory of

being the one to have presided over a restoration of ties with the US. They are afraid that this would make him politically invincible. Therefore, they will continue to obstruct him until they are in a position to take control of the administration, at which time they will probably act quickly to restore relations, thus gaining the credit. This would also help ensure their grip on emerging economic opportunities with the Americans. According to the recent comments of a former adviser to conservative presidential candidate, Nateq-Noori, had Nateq-Noori become president, he would have moved immediately towards a restoration of ties.

There is no question that the reformist faction, associated with Khatami, is more in tune with the popular will which is strongly supportive of early normalisation with the US. The Khatami camp firmly believes that early normalisation can be highly beneficial to Iran's economic, security and national interests generally, and that Iran cannot afford to continue to reject US overtures, whatever the potential risks of engagement may be for the current system. However, such is the political sensitivity of the issue that, even with a partial breaking of the taboo on public debate over the issue, Khatami cannot yet explicitly express a desire for normalisation at this time. This hesitancy also reflects a genuine wariness of US designs. The administration needs more concessions from the United States before it can feel confident enough to weather conservative opposition and agree to a dialogue. In any case, such agreement would need the imprimatur of the leader, a difficult obstacle given the leader's constituency.

Conclusion

The barriers to normalisation remain formidable, particularly the domestic political barriers on the Iranian side. Nevertheless, throughout the Khatami presidency, both sides have been closely attuned to the various signals and gestures from the other side. Indeed, despite the constraints on Khatami, he has precipitated increasingly open discussion in Iran over the possibility of re-

establishing relations with the United States. In the next chapter I will track developments during the Khatami period and how these have impacted on prospects for rapprochement and normalisation.

In the next chapter, Khatami's recognition of the importance of engaging the West and his personal commitment to pursuit of a policy of dialogue and of greater openness both to and outside Iran that as president he would bring about the necessary changes to and Iran's domestic and international relations with the United States. The implementation program towards rapprochement with the US has been multifaceted. Before reaching important milestones on both sides Iran has been able to make Khatami's strategy for working with the West in a new relation. Throughout the Khatami period we will see that it has achieved a number of key steps towards this goal, or even to steps back. A key reason for this is that neither side has been able to break the wall of mistrust. Each believes the other has not sufficiently backed or addressed the specific issues and given credence to the other. Also, a number of domestic political factors have also played a central role in blocking progress, particularly on the Iranian side. While Khatami has managed to promote an openness of the debate on public debate about the possibility of normalisation, the opposition political fringe of his base has expressed how far a sitting administration has to the establishment and growth of such

There is little doubt Khatami has pushed forward on what relations with the United States. His has been other members of the regime, similar to any respect of the US government. The dialogue between Iran and the United States with the US is in Iran's national interest, economically, politically and diplomatically, and is a priority necessity to guarantee Iran's future and security. Although Iran has considerably strengthened the diplomatic relations of US

Chapter Five

Developments in US-Iran Relations under Khatami

Introduction

As noted previously, Khatami's recognition of the importance of engaging the West and his declared commitment to pursuit of a policy of *détente* raised popular expectations both in and outside Iran that as president he would bring about the necessary changes to end Iran's isolation and re-establish relations with the United States. But substantive progress towards rapprochement with the US has remained elusive, despite renewed interest and efforts on both sides for a thaw in relations since Khatami's election. In tracking developments in US-Iran relations throughout the Khatami period, we will see that it has often been a case of 'one step forward, one step, or even two steps, back'. A key reason for this is that neither side has been able to breach the wall of mistrust. Each believes the other has not sufficiently heeded or addressed the specific issues and grievances identified by the other. Also, as discussed, domestic political factors have also played a central role in blocking progress, particularly on the Iranian side. While Khatami has managed to precipitate some lifting of the taboo on public debate about the possibility of normalisation, the continuing political muscle of his hard line opponents has had a stifling effect on how far the administration can go with the issue.

There is little doubt Khatami has genuine reservations about relations with the United States. He, like most other members of the regime, remains deeply suspicious of US designs on Iran. The dilemma for Khatami is that normalisation with the US is in Iran's national interest, economically, politically and diplomatically, and is probably necessary to guarantee Iran's economic security. (Although Iran has consistently downplayed the significance and impact of US

sanctions, it is clear that they have greatly undermined Iran's economy and ability to attract investment and financing.) Such pragmatic national interest concerns are what has prompted Khatami to take whatever steps he can to foster an environment conducive to rapprochement and eventual normalisation. Through a more gradualist approach, Khatami hopes to avoid a confrontation with his political rivals and exposure to accusations that he is selling out on the fundamental values of the revolution.

Initial Feelers

After his August 1997 inauguration, the first clear indication of Khatami's interest in engaging the United States was at a news conference in December 1997. Khatami declared his desire to re-establish a dialogue with the American people in the near future, hinting that it was unfortunate the two countries had not done more to patch up their differences. Gently chiding the US Government, he said he hoped "the American politicians would understand their time better, understand the realities and move forward".⁴⁴ Such openly conciliatory comments targeted at the United States by a senior revolutionary Iranian leader were unprecedented. It was clear that Khatami's felt strengthened enough to come out with such comments by the strong popular mandate he had received in the May 1997 election.

What makes Khatami's comments particularly courageous is that only a few days prior to the news conference, Khamenei, who has the final say on such issues, had given a fiery speech at the opening of the OIC Summit in Tehran in which he warned against "Western cultural domination" predicting that "the moral wasteland of Western civilisation will eventually sink in its own rubble". This was widely interpreted as a rebuff to Khatami's well-known views on inter-civilisational dialogue, and in particular, dialogue with the United States, and was

⁴⁴ "Iran Extends Hand to Americans", *International Herald Tribune*, 15 December, 1997

in marked contrast to the tone of Khatami's address to the same Summit on this theme. Khatami's more targeted comments on dialogue with the US at the December press conference reflected a determination to forge ahead with his vision, despite the views of the leader.

CNN Interview and Aftermath

Undeterred by the leader's reservations, Khatami persisted with his détente offensive, giving an interview to CNN on 7 January 1998. He described the interview as an opportunity to address the American people directly and to convey to them Iran's/Khatami's perspectives on the historical relationship between Iran and the United States. It was in this interview that he expanded on his comments of the previous month, proposing a "dialogue of civilisations" between America and Iran. Khatami said the dialogue could be conducted between "professors, writers, scholars, artists, journalists and tourists".

His interview was a clear attempt to mend some of the historical hurts and address some traditional US Government concerns. For instance, he expressed regret for the damage done to the feelings of Americans by Iran's seizure of the US Embassy hostages, again an unprecedented gesture by a senior Iranian regime figure. He acknowledged that the killing of innocent civilians in the streets of Israel was terrorism, condemning such acts, but drawing a distinction between terrorists and freedom fighters.

Terrorism should be condemned in all its forms and manifestations; assassins must be condemned. Terrorism is useless anyway and we condemn it categorically. Those who level these charges against us are best advised to provide accurate and objective evidence, which indeed does not exist.....

.....At the same time, supporting peoples who fight for the liberation of their land is not, in my opinion, supporting terrorism. It is, in fact, supporting those who are engaged in combating state terrorism.⁴⁵

⁴⁵ "Khatami Interview", *CNN*, Tehran, 7 January, 1998

He rejected the notion that Iran was working to derail the Middle East peace process, outlining Iran's stance in the following terms.

We have declared our opposition to the Middle East peace process because we believe it will not succeed. At the same time, we have clearly said that we do not intend to impose our views on others or to stand in their way. In our view all Palestinians have the right to express their views about their land, including the millions of Palestinians in Diaspora. They too have a right of self-determination. Only then can there be a lasting peace. We seek a peace through which Jews, Muslims and Christians, and indeed each and every Palestinian, could freely determine their own destiny. And we are prepared to contribute towards the realisation of that peace.

...The subject of Middle East peace is one that needs a sober and pragmatic analysis. We believe that it will not succeed, because it is not just and it does not address the rights of all parties in an equitable manner. We are prepared to contribute to an international effort to bring about a just and lasting peace in the Middle East.⁴⁶

On proliferation issues, Khatami denied Iranian WMD ambitions saying that the International Atomic Energy Agency, which had inspected Iranian nuclear facilities several times, had given Iran a clean bill of health regarding the existence of nuclear weapons development programs⁴⁷.

But Khatami still felt constrained in calling openly for political relations with the United States. He skirted the issue by declaring that Iran had "no need for political ties with the United States". However, he did hint at the possibility of an eventual restoration of relations, saying that there first needed to be "a crack in this wall of mistrust". He also said that the dialogue between the peoples of the two nations could forge a better future for both countries.

Khatami's interview generated a lot of excitement in Iran. An opinion poll taken shortly after the interview showed that 82 per cent of people thought Khatami's remarks about the establishment of ties with America were good or very good.⁴⁸ The moderate press came out strongly supportive of Khatami's comments while

⁴⁶ Khatami CNN Interview

⁴⁷ *Ibid*

the conservative press were more sceptical. The hard-line conservative daily "Kayhan" reminded its readers of Khomeini's statement that the United States wanted its relationship with Iran to be like that between "the wolf and the sheep". Other conservative mouthpieces took issue with the President's seemingly apologetic tone in relation to the taking of the US Embassy, which the conservatives refer to as the "second revolution". Conservatives also rejected the notion that Khatami's comments were meant to be a signal to the US on relations, saying that decisions on such matters rested with the leader, not the president.

Shortly after the President's CNN interview, the leader, in a Friday prayers address, appeared to pour cold water on the debate by firmly rejecting the notion that Iran was looking to reappraise its relations with the United States. While careful to avoid criticism of the president, Khamenei did refer to his own differences of "taste and tone" with Khatami. He accused the United States of wanting to create disunity within Iranian society over the issue of relations with the US and to force Iran to the negotiating table so that it could impose its will.

They want to break the taboo (on discussion of relations with America) in the same way they broke the taboo regarding Arabs and Israel. There was a day when Arab Governments considered talking to Israel, relations with Israel and even mentioning the name of Israel as one of the most ugly acts. By bringing up this issue, putting someone forward, removing someone from the ranks of the Arab people, they did something that gradually broke the taboo.⁴⁹

Khamenei went on to say that "establishing relations and a dialogue with America had no benefits for the Iranian nation"; that negotiations with America or relations with America would not prevent American enmity"; and finally, that "dialogue and relations with America would be altogether harmful to the Iranian nation and the international Islamic movement". Khamenei remarks were a signal to the people and his own constituency that he was not actively prepared to

⁴⁸ "President's Message to American People: Sign of Iran's Strength" *Kar va Kargar*, Tehran, 17 February, 1998

⁴⁹ "Khamenei Friday Prayer Address", *Voice of the Islamic Republic of Iran*, 16 January, 1998

entertain the idea of normalisation. According to members of the regime⁵⁰, he felt privately miffed at Khatami's readiness to generate public debate on this issue.

Khatami's December 1997 remarks and his subsequent CNN interview generated a lot of attention in Washington. The Americans had been following with interest the change in tone coming out of Tehran after the Khatami election. Frustrated by a lack of progress with Iraq, despite eight years of sanctions, the Americans felt highly motivated to try to encourage and nurture the new moderate tone emerging from Tehran. The US State Department made the following statement about the interview

We welcome the continuation of a new tone in Iranian statements. President Khatami's extensive comments with respect to US civilisation and values were interesting. We appreciated the spirit in which those remarks were offered. We also noted the president's comments that the conduct of relations between nations must be based on mutual respect and dignity. We agree.

We also heard what he had to say about Islam. We respect Islam as one of the world's great monotheistic religions, and have excellent relations with many Islamic countries. We also noted with interest his regret concerning the hostage taking. We welcome his statement that this period in Iranian history is over, and that the rule of law should be respected, both domestically and internationally. On terrorism, President Khatami's rejection and condemnation of all forms of terrorism directed at innocents was noteworthy.....

.....With regard to the relationship and the dialogue, we listened very carefully to his remarks. We agree that over almost 20 years, the mistrust and distance between us is great, and it will take a lot of effort to overcome this difference. We will look closely and take a serious look at what President Khatami has said regarding people-to-people exchanges and the people-to-people dialogue. However, we believe the best way to address our bilateral differences would be to engage in a government-to-government dialogue. We should sit down and air differences. We would raise our concerns. The Iranians could raise their concerns.

So let me stress that changes in Iranian policies on support for terror, the development of weapons of mass destruction and support for violent opposition to the Middle East peace process remain key to forging a better relationship. With regard to President Khatami's statements on Iran's grievances, we take Iran's concerns seriously. We would listen to what they have to say. We would hope Iran would take our concerns seriously as well.⁵¹

⁵⁰ Conversation with contacts in Tehran close to the leader's office

⁵¹ "US State Department Press Briefing", Washington, 8 January, 1998

This was probably the most explicit invitation issued to date by the Americans for a political dialogue to discuss issues of concern to both sides. It demonstrated US interest in capitalising on Khatami's more conciliatory tone and encouraging detente.

Equally significant was the following comment by US President Clinton later in January 1998 on the occasion of Id al-Fitr.

To the people of Iran, I would like to say that the United States regrets the estrangement of our two nations. Iran is an important country with a rich and ancient cultural heritage of which Iranians are justifiably proud. We have real differences with some Iranian policies, but I believe these are not insurmountable. I hope that we have more exchanges between our peoples and that the day will soon come when we can enjoy once again good relations with Iran.⁵²

Clinton sent a further message on the occasion of the Persian New Year in March, hailing the close and historic links between the two peoples.

The Thaw Continues

Khatami's interview and the positive US response provided impetus for non-official exchanges between the two countries. For instance, in February 1998, Tehran hosted the US wrestling team. A return visit by the Iranian team took place in April 1998, despite the protestations of some Iranian conservatives. However, the visit was not without hiccups, with the Iranians protesting to the US over the poor treatment of the team by US Immigration officials. This prompted the State Department to step in, announcing a revision of procedures for the treatment of Iranians entering the US.

Such contacts were widely interpreted among the Iranian population as cracks in the ice and the beginning of a rapprochement. At this stage the conservatives,

⁵² "President's Remarks on the Occasion of Id al-Fitr", *White House Press Office*, Washington, 29 January, 1998

who were sceptical of the Khatami agenda, were relatively quiet, preferring to accept the delimitation enunciated by Khatami between dialogue of governments and people-to-people exchanges.

In parallel with the development of non-official exchanges of this kind, the US Government continued to adopt a more positive and encouraging tone with Iran, while maintaining its fundamental policy stance. In early February 1998, a senior US official reported that Albright, in her recent discussions with Yasser Arafat, had commented that Tehran seemed to have tempered its hostility to the Middle East peace process, which was "very encouraging". Khatami had reportedly told Arafat during the OIC Summit in Tehran in December 1997 that "whatever the Palestinians can agree to (with Israel) we can live with". Later that month, Albright made positive comments about Iran's efforts in combating illicit drug trafficking, despite Iran not being included in the official US list of countries seen as cooperating to stop international drug trafficking.⁵³ The list had been issued a few days prior to Albright's comments. US intelligence officials were also encouraged by what they assessed to be a curb in Iranian support for international terrorist groups. However, such assessments were not enough to have Iran removed from the State Department's 1997 list of state sponsors of terrorism announced in April 1998. Iran's removal would have been seen as premature by hard-liners in Washington, particularly in view of Iran's well-documented, continuing support for Lebanese Hizbullah and rejectionist Palestinian groups.

However, the US administration continued to send positive signals to Iran in less controversial areas. For instance, in early 1998 the State Department changed the wording of its travel advice for Iran to a simple recommendation that Americans defer travel to Iran, rather than warning them against travelling. The change was described by State Department officials as significant, inasmuch as it now

⁵³ "Albright on Iran's drugs war", *Iran Focus*, London, March 1998

recognised that only some segments, not all, of the Iranian government and population remained hostile to the US. The US also eased travel restrictions in the US on members of Iran's UN permanent mission in New York.

The issue of a restoration of ties also generated renewed interest in taking a fresh look at Iran among some on Capitol Hill. For instance, leading Democratic Congressman, Lee Hamilton delivered a speech in April 1998 calling for renewed dialogue and more overtures from the US administration. Some US legislators, such as Congressman Bob Ney⁵⁴ and Senator Arlen Specter declared their readiness to visit Iran and build up ties with Iran's Majles.

The Iranian Government, for its part, continued to pursue a foreign policy of detente, partly with a view to pressuring the US to rethink its policy towards Iran. In March, Iran was delighted with comments by visiting Italian foreign minister, Lamberto Dini, the first EU minister to visit Iran in more than a year, that Iran's alleged support for international terrorism is a thing of the past and that he no longer thought that Iran represented an obstacle to the Middle East peace process. Iran also hosted UN Human Rights Commissioner Mary Robinson around the same period for a UN-sponsored Human Rights Workshop. Kharrazi's comments that human rights were "universal, independent of conditions, and transcend all boundaries" and his call for the "promotion of tolerance, moderation and genuine dialogue"⁵⁵ were welcomed by Robinson. The hosting of such an event and such comments were aimed at countering US and Western concerns over Iran's human rights record.

Iran appeared to be watching every nuance of the US very carefully. Press commentary and debate on the issue in Iran gradually became bolder. Despite his dismissive comments in January, even the leader appeared to indicate his

⁵⁴ Ney told representatives of the business lobby group, "USA Engage" in early July 1999 that he had lined up ten Congressmen to visit Iran as soon as the State Department gave the go ahead.

⁵⁵ Kamal Kharrazi, "Address to UN-sponsored Human Rights Workshop" Tehran, 28 February, 1998

openness to the possibility of an eventual restoration of ties, albeit based on certain conditions. In a speech in early April 1998, he declared that "as long as America is sticking to its current ways, it will be considered our enemy and Iran will not reach out towards it". The very conditionality of this statement was interpreted favourably by the advocates of rapprochement on both sides.

Around the same time, the reformist Islamic Guidance Minister and government spokesman, Ataollah Mohajerani made a surprising admission, when he said that "the Iranian Government had not yet decided on whether to have direct talks with the US", implying that this matter was under current consideration by the administration.⁵⁶

The US made its first major gesture to Iran in May 1998 when the administration, in the face of considerable opposition from the US Congress, waived sanctions on Total, Petronas, and Gazprom for their \$2 billion investment in Iran's energy sector. The terms of the Iran-Libya Sanctions Act of 1996 (ILSA) had specifically provided for the imposition of sanctions on any foreign company that invested in that sector. The waiver was ostensibly granted in return for greater cooperation from the EU and Russia on halting military technology transfers and combating terrorism.⁵⁷ But US officials privately conceded that an important element in the decision had been a desire to send a conciliatory signal to Tehran. Most industry observers agreed that it was now unlikely the administration would impose sanctions in future on foreign oil companies. Albright even announced that future cases involving EU companies would result in like decisions. However, Albright did declare later that the US remained strongly opposed to oil and gas pipelines that transit Iran, and that the administration "will carefully examine any proposal for trans-Iranian pipeline

⁵⁶ "More Steps towards Rapprochement" *Iran Focus*, London, April 1998

⁵⁷ Kemp, *America and Iran Road Maps and Realism* 69

construction across Iran for possible implications under ILSA and take whatever action is appropriate”⁵⁸.

Iranian responses were disappointing. The domestic political environment had started to sour for Khatami which clearly hampered him from capitalising on the issue. The US decision coincided with a stepped-up campaign by the conservatives to target key reformists, such as the mayor of Tehran, Karbaschi, who was arrested by the conservative controlled judiciary. Nonetheless, it is clear that Khatami and other senior regime figures did not consider the US action significant enough to merit a positive reciprocal gesture. Iran used the US waiver decision simply to highlight the futility of US policies, calling on the US to lift remaining sanctions.

Albright's 'Road Map' Speech

Albright's speech to the Asia Society in June 1998 was the clearest US signal to date of its desire to mend fences and achieve normalisation with Iran. Outlining US policy towards Iran, Albright extended Iran an olive branch, declaring US readiness to “explore further ways to build mutual confidence and avoid misunderstandings”. Specifically, Albright proposed that the two sides work together to develop a “road map leading to normal relations”.⁵⁹ The use of the term “road map”, the same as that used in America's rapprochement with Vietnam, was significant in signaling that the US alone did not have the prescription for normalisation and needed to work together with Iran. A few days later, on the occasion of the World Cup soccer match between Iran and the US, President Clinton underlined the importance of the issue to the US, expressing his hope for “ending the estrangement between our nations”⁶⁰.

⁵⁸ Madeleine Albright, “Address to Asia Society” New York, 17 June, 1998

⁵⁹ *Ibid*

⁶⁰ Kemp, *America and Iran: Road Maps and Realism* 12

Initial Iranian reaction to the US overtures was muted, largely on account of the Khatami administration's continuing preoccupation with domestic factional struggles.⁶¹ Nevertheless, Khatami commented at the time, "we have noticed a change in the tone, but we are always looking for sincerity in practice and not just in words". We have recently seen signs of a better understanding by the American politicians of the realities of the position of the Islamic Republic of Iran". The message was clearly intended to signal to the US that while American gestures were appreciated, Washington needed to go further, if it wished to see Iran reciprocate. The Iranian Press was divided in its reaction to the Albright speech. Hard-line newspapers dismissed it as nothing new, while the more moderate press described Albright's comments as significant.

In what was partly a sign of US interest in avoiding an unnecessary undermining of a gradually improving atmosphere with Iran, President Clinton in July vetoed legislation (Iran Missile Sanctions Act) that would have imposed tough sanctions on Russian firms that sell missile technology to Iran. The US also promised to crack down on the activities of the MKO, which it had placed on its list of terrorist organisations in October 1997.

'One Step Forward, One Step Back'

However, the following few months were to see significant setbacks for a thaw in relations and a subsequent loss of momentum towards detente. This can be largely attributed to intensified factional struggles in Iran, which increasingly constrained Khatami from taking further steps in relation to the United States. For instance, Iran's testing of a medium-range ballistic missile in July, a week ahead of the release of the US Congress's Rumsfeld Commission Report into Ballistic Missile Threats to the United States (and its allies), could not have been

⁶¹ Khatami was caught up in dealing with the impeachment of his Interior minister, Abdollah Noori and the arrest and trial of the reformist mayor of Tehran, Gholam-Hossein Karbaschi, both targeted by the conservative faction.

better timed to strengthen the hand of the anti-Iran hard-liners in Washington. The decision to test at that time would have been taken by senior IRGC commanders with the imprimatur of their commander-in-chief, Khamenei. While Khatami would have been consulted, given his role at Chairman of the Supreme National Security Council, he would not have been in a position to argue against the tests going ahead at that time.

Clinton presented a balanced US response describing the test as an "obstacle" to efforts to warm relations with Iran but not an "argument for closing off all avenues of opportunity". He indicated the US was "very concerned about the test, but not surprised by it"⁶². This reflected a tacit recognition of the US administration of Iran's legitimate security concerns⁶³. It could also be interpreted as an implicit signal that the US administration was aware that such programs are largely in the hands of the hard-liners, who would welcome the opportunity to upset prospects for rapprochement. However, Clinton's sympathetic viewpoint was not shared by a Republican-dominated Congress, which used the Rumsfeld Report to pressure the administration to maintain a tough line with Iran.

Another issue which caused concern in Washington in the same month was the execution of an Iranian Bahai, the first since 1992. This was clearly part of a conservative offensive to derail Khatami's efforts to improve relations with the west and in particular, to obstruct move towards a rapprochement with the US. July was not all bad news. A former hostage taker and current editor of the leftist daily Salam, Abbas Abdi, who is close to Khatami, had a historic meeting with former US Embassy hostage Barry Rosen in Paris on 31 July. The meeting was viewed as a symbolic move to heal the legacy of bad blood between the two countries.

⁶² Remarks by US President Bill Clinton, White House, Washington 23 July, 1998

⁶³ Analysts in the CIA and State Department privately acknowledge that Iran does have legitimate security concerns that would push it to acquire a strategic defence capability.

In August 1998, several Iranian diplomats and journalists disappeared when Taleban forces took Mazar-i-Sharif in western Afghanistan. The US administration graciously issued a statement condemning any Taleban detention of Iranian officials and calling for their immediate release under international law. (Iran had earlier issued an official statement condemning the terrorist bombings of US missions in Nairobi and Dar es Salaam that same month, and renewing its call for international cooperation to combat terrorism⁶⁴.) Later, when it was discovered that the captured Iranians had been killed by the Taleban, Iran gained kudos for the restraint it showed, despite considerable sabre-rattling.

Afghanistan has since emerged as an issue where the US and Iran can cooperate as co-members of a "six plus two" group on Afghanistan, which meets under the auspices of the United Nations. US officials see such cooperation in the international arena as a useful confidence-building measure, as it brings into direct contact senior officials of the two governments. Despite some suspicions that the CIA are assisting the Taleban, Iran welcomes the chance to be involved in an international effort to resolve an issue which affects its interests so directly. It also sees participation in the "six-plus-two group" as an opportunity to reinforce its credentials as a responsible regional player

Khatami and Kharrazi Visit New York

The visit of Khatami to the UN General Assembly in New York, accompanied by his foreign minister, in September 1998 raised expectations on the US side that the Iranians would use the opportunity to respond officially to Albright's June "road map" speech. Khatami's speech to the UNGA was typically visionary and statesmanlike. For instance, he called for 2001 to be declared by the UN as the "year of dialogue among civilisations", a proposal subsequently

⁶⁴ "Iranian Ministry of Foreign Affairs Statement", Tehran, 8 August, 1998

adopted by UNGA. At the same time he boldly took the initiative in addressing issues of particular interest to the US, putting the onus back on the Americans. For instance, on proliferation, Khatami called for the establishment of nuclear free zones ahead of a complete abolition of nuclear weapons.

Recent nuclear tests in the region, which have led to further complications, make such a necessity all the more imperative. We should realise that the idea of attaining security through the acquisition of such armaments is nothing but an illusion....

The establishment of zones free from weapons of mass destruction, particularly in the Middle East, constitutes an appropriate first step in alleviating tension and mistrust emanating from these weapons. We, in the Islamic Republic of Iran, as the victims of the use of weapons of mass destruction, are cognisant, more than anybody else, of their horrifying impact. We shall thus stay in the forefront of international efforts to establish and strengthen universal arrangements for their destruction.⁶⁵

Similarly, on terrorism, Khatami sought to take the high moral ground, by publicly calling for greater international cooperation to combat the phenomenon.

Honest and sincere efforts to combat the menace (of terrorism) in all its forms and manifestations, including state terrorism, constitute another important priority for the Government of the Islamic Republic of Iran.

Terrorism is a product of desperation and nihilism. In a world swirling in the orbit of violence and oppression, serious combat against terrorism will not advance beyond the realm of words and slogans. Eradication of terrorism must be concurrent with a global search for justice. This assertion should in no way be interpreted as a justification for any form of terrorism.

We unequivocally oppose, as required by our religious, moral and cultural values and norms, all forms and manifestations of terrorism and we shall combat it vigorously and earnestly. In our view, in order to eradicate this menace, we should engage in a serious and transparent international cooperation to combat terrorism, and at the same time redouble our efforts to attain the objective of global justice.⁶⁶

Elsewhere in his address, Khatami called for the establishment of a "security and cooperation system" in the Gulf, an oblique appeal for the inclusion of Iran in Gulf security arrangements. Khatami also discussed the conflict in Afghanistan at length, declaring that there was no military solution to Afghanistan's

⁶⁵ Khatami, "Address to the UN General Assembly" New York, 21 September, 1998

⁶⁶ *Ibid*

predicament. In his address to the UNGA on the same day as Khatami, Clinton, in similar vein to Khatami, made reference to the importance of dialogue and cooperation between Islam and the West. Significantly, he also made specific reference to Iran as a country "where innocent people have been victimised by terror".⁶⁷

An address by foreign minister Kharrazi to the Asia Society on 28 September 1998 served as Iran's official response to the Albright speech given at the same venue several months earlier. The event was well-attended by a range of senior US Government officials, all expectant, according to one attendee, that Iran would signal its interest in moving the process of rapprochement forward.

However, the speech was disappointing for the Americans⁶⁸. While acknowledging the new tone emerging from Washington which he said indicated a departure from the past and possibly a desire to revisit past US policies, Kharrazi firmly rebuffed the Albright invitation for an official dialogue, at least until the US changed its policies towards Iran.

Logically, the United States' active pursuit of the policies I have already outlined and the absence of visible signs of its intention or ability to change course are hardly compatible with the proposal to develop a road map to change the state of affairs. This is because there is no ground for political negotiations, while these policies continue. In line with underlying principles of our foreign policy, the approach of the Islamic Republic of Iran towards the United States will be commensurate with changes in US behaviour towards Iran.⁶⁹

Kharrazi did not hold back in detailing Iran's grievances towards the United States. Specifically, he leveled criticism at US economic sanctions and pressures placed on Iran, US sabotage of Iran's role in regional security and US interference in Iran's internal affairs. On the last point, he not only referred to the allocation by the US Congress of a budget to undermine the government of Iran, but also the recent establishment of a US-sponsored Radio Free Europe Farsi service. Indeed,

⁶⁷ "Clinton Address to the UN General Assembly" New York, 21 September, 1998

⁶⁸ Comments of Clinton administration adviser on Iran to author

the US Government decision to fund this service, which generated a lot of criticism in Iran around that time, may have been an important factor in constraining Kharrazi from adopting a more conciliatory tone.

Kharrazi also outlined Iran's stance on terrorism, WMD and support for the Middle East peace process in familiar terms. The Iranians clearly saw the occasion as a key opportunity to respond to specific US concerns. On terrorism, he echoed Khatami in declaring that Iran condemned terrorism in all its forms and manifestations regardless of its victims or perpetrators. He referred to a recently signed joint statement issued by Iran and Russia on terrorism, declaring Iran's "readiness to participate in any international instruments that might emerge in the battle against global terrorism"⁷⁰. He also expressed Iran's willingness to cooperate in the global fight against narcotics, interpreted as a clear signal to the Americans of Iran's interest in cooperation on non-controversial issues of mutual interest. On WMD, Kharrazi declared that the threat can only be removed by eradicating them, saying that Iran had already participated actively in moves to eradicate chemical and biological weapons and would be prepared to do so on nuclear weapons. On the Middle East peace process, Kharrazi defended Iran's stance deploring one-sided US support for Israel and accusing the US of misconstruing genuine resistance to occupation as terrorism.

Deteriorating Environment for Detente

The disappointment of the Kharrazi address for the Americans was compounded by Iran's strong condemnation of the US-brokered Wye River accord between Israel and the Palestinian Authority shortly afterwards. Khatami branded the accord as a violation of Arab rights. He was quoted as saying that "this accord will not bring the region nearer to peace. It is detrimental to the Palestinian

⁶⁹ Kamal Kharrazi, "Address to Asia Society", New York, 28 September, 1998

⁷⁰ *Ibid*

people”⁷¹. Khamenei was similarly strident describing Arafat as a “lackey” of Israel at Friday prayers in Tehran on 30 October 1998. Although such statements by senior Iranian leaders only provide ammunition to the Israel lobby in Washington, in reality, such statements are targeted more to a domestic constituency. However, the credibility of Iran’s claims that it is not supporting violent opposition to the peace process was not helped by subsequent Palestinian Authority accusations that Iran was backing the violent activities of Hamas.

There have been signs since Khatami came to office that Iran wants to appear more flexible on the peace process. In addition to Khatami’s comments to Arafat at the OIC Summit in Tehran in December 1997, Kharrazi, during a visit to Lebanon just prior to his New York visit, said that if Israel withdrew from southern Lebanon, “the goals of the resistance will have been achieved”⁷². Although he was subsequently taken to task by Hizbullah over his right to make such a statement, it is clear from such comments that Iran would probably look to cease military assistance to Hizbullah if Israel were to withdraw. In April 1999, Khatami privately told visiting PLO political bureau chief, Farouk Kaddoumi, that Iran would accept whatever form of Palestinian state the Palestinians decided on, implying that Iran might be able to tacitly accept the existence of the entity of Israel⁷³. Flexibility on this issue of recognition would go a long way to overcoming a real hurdle to rapprochement with the United States.

The regime’s annual commemoration of the taking of the US Embassy on 4 November 1979 took on an interesting twist in 1998, reflecting the new sentiment for rapprochement. Instead of burning an American flag, the pro-Khatami student gathering burnt an effigy representing “world arrogance”, a synonym for a

⁷¹ “Middle East Peace” *Iran Focus*, London, November 1998

⁷² Kemp, *America and Iran: Road Maps and Realism* 61

⁷³ Comments of Palestinian Diplomat, Tehran, April 1999

hegemonic United States. The justification was that, in tune with Khatami's policies, the students would not violate the flag, being a symbol of the American people. The rally was uncharacteristically conciliatory calling for a dismantling of the wall of mistrust between the two countries and inviting the former hostages to return to Iran as guests. Such declarations infuriated the hard-liners who did their best to disrupt proceedings. The event highlighted the factional divide and polarisation on this issue with which the Khatami administration has had to contend. An extremist group even threatened to launch suicide attacks against American interests, should the Americans return. On 5 November, Khamenei again weighed into the debate on the conservative side, declaring that "even though the US officials' tone appears to have changed, the truth is they will not be satisfied with anything less than domination of Iran's resources and a return to the situation before the Islamic Revolution"⁷⁴.

The commencement of broadcasts into Iran by Radio Free Europe (RFE) Farsi service around that time caused more protests from the Iranians further constricting Khatami's latitude for action on the US issue. Foreign ministry spokesman, Mahmoud Mohammadi, said that "this radio has been set up in the framework of America's \$20 million fund against Iran and is considered interference in the Islamic Republic of Iran's internal affairs and is contrary to international rules". Foreign Minister Kharrazi threatened to make a formal complaint to "international bodies including the International Court of Justice in The Hague".⁷⁵ The US State Department said that it could not understand why a "little free radio" was causing so many problems for the Iranian Government. Information and public discussion of ideas had increased in Iran in recent years, so it was "surprising" that Iran was "responding so negatively" to US radio broadcasts.⁷⁶ The reason this issue is particularly sensitive for Iran is on account of the penetration capacity of radio broadcasts. While the Persian press is given

⁷⁴ Television News Report, *IRIB*, Tehran, 5 November, 1998

⁷⁵ "Kharrazi interview with Abrar" *Agence France Press*, Tehran, 8 November, 1998

⁷⁶ "US State Department Press Briefing", Washington, 9 November, 1998

considerable latitude, radio and TV news and commentary is much more strictly controlled, given its greater potential impact on a wider proportion of the population⁷⁷.

Second track diplomatic activity between the two countries had also slowed down as it became subject to stepped-up criticism by the conservative faction in Iran, and potentially more hazardous for the participants. For instance, the visit of a quasi-official American business and academic group to Iran in November brought home the potential pitfalls of second-track diplomacy in a volatile political environment. The Iranian Foreign Ministry had initially denied there was a US delegation in town, later revising its position to say that the group in question was simply a tourist group. Hard-liners claimed the group was a de facto official delegation sent to Iran at the behest of the US Government. This was partially true. The head of the delegation had met Albright prior to the visit and had promised to brief her on his return. The fact that the group secretly met various officials in the foreign ministry and elsewhere in the Iranian Government triggered protests, including a street march in Qom and an attack on the bus carrying the group. News of the visit had been leaked by the conservatives.

These developments prompted a flurry of criticism from the conservative press over second-track contacts with the Americans. The Iranian foreign ministry felt compelled to go on the defensive issuing the following statement

The Foreign Ministry, in accordance with the view expressed by the eminent leader, considers any kind of direct or indirect diplomatic negotiations with the United States of America's administration to be contrary to the principles of the Islamic Republic of Iran's foreign policy.⁷⁸

⁷⁷ A recent conversation with the director of this service revealed that it is extremely popular with audiences in Iran and that many Iranians telephone in to provide comment and information.

⁷⁸ *Jomhuri-ye Eslami*, Tehran, 14 September, 1998

As a result the Khatami administration became even more cautious in such second-track dealings with the US as did the Americans, although less controversial people-to-people contacts have continued.

By late 1998, the debate in Iran on US-Iran relations had been superseded by domestic political pre-occupations, as the Khatami administration felt it had gone as far as it could without significant political risk. The US for its part, while disappointed that Iran had not taken up the idea of an official dialogue, had come to recognise the difficult domestic political environment in Iran and the need for patience.

The continuing persecution of Bahais by the Iranian authorities and the murders of several writers and political dissidents in Iran late in the year again raised concerns in Washington. However, in the case of the murders, the Iranian Government's willingness to arrest rogue elements in the Ministry of Intelligence and Security was welcomed by the US as a "positive step towards maintaining the rule of law in Iran, and providing for the security of Iranians to express their beliefs"⁷⁹. Even before the arrests, the US had condemned the killings in terms of "forces in Iran that are clearly attempting to stifle free expression and undermine the rule of law"⁸⁰. The references to "rule of law" were clearly intended as a signal of support for Khatami's efforts.

The Iraq Factor

Another issue which has continued to impact on the environment for US-Iran rapprochement is Iraq. Saddam's continuing recalcitrance has been a compelling factor in America's interest in taking a fresh look at Iran. Clinton's announcement late in 1998 that the US was stepping up assistance to Iraqi opposition groups to undermine Saddam, presented a tentative opportunity for

⁷⁹ "US State Department Press Briefing", Washington, 6 January, 1999

⁸⁰ "US State Department Press Briefing" Washington, 14 December, 1998

cooperation with Iran in the view of the United States. Although State Department spokesman, James Rubin claimed that the US was not working with the Iranians nor soliciting Iran's support for the policy, he made it clear that the US was "not going to complain" if Iran did indeed lend its support. These comments evoked a swift reaction from the Iranians, with a senior official declaring that Iran would not work with the US to oust Saddam.

Iran's reaction was understandable inasmuch as it could not be seen to be condoning interference in the internal affairs of another state. In addition, as discussed, Iran has remained very suspicious of US intentions and what kind of government might replace Saddam, as well as the risk of partition. On balance, Tehran is happy with the status quo which works to Iran's geostrategic, political and economic advantage.

However, as already mentioned, a major aspect of concern for Iran in relation to the Iraq issue remains the US military presence in the Gulf. Having said that, the Iranian response to US missile strikes against Iraq in December 1998 was decidedly low key. Kharrazi commented on the issue to a TV reporter in the following terms.

The missile attack against Iraq will only cause more calamity for the people of Iraq and will increase tension in the region. Of course, at the same time, the Iraqis are obliged to continue their cooperation with the United Nations....⁸¹

Again, when a stray missile, intended for Iraq, hit the southern Iranian city of Khorramshahr, it is noteworthy that Iran largely refrained from its normally strident anti-US rhetoric, preferring to deal with the matter in a cool-headed way. The foreign ministry announced that the US had offered an apology through the Swiss Embassy, which handles US interests in Iran. The foreign ministry understandably adopted a much tougher tone after a second stray missile hit the Iranian city of Ahwaz in late January 1999. Kharrazi declared that the United

⁸¹ "Kharrazi TV Interview" *IRIB*, Tehran, 17 December, 1998

States must apologise to compensate for violation of Iran's airspace. Conservative Majles Speaker, Nateq-Noori criticised the foreign ministry for having taken such a soft line after the first missile hit. He said "the Americans should know that they retain responsibility for such rash acts and that Iran's patience has limits".⁸² The Majles, which had planned to drop the symbolic anti-US fund from the annual budget, promptly voted to restore it after the second missile hit. Above is a clear example of the climate of deep mistrust which so easily derails progress towards rapprochement between Iran and the US.

Continuing Overtures

Despite the lack of progress through 1998, the Americans have persisted in trying to convince the Iranians to come to the table without preconditions. Former US Secretary of State, Cyrus Vance, who still maintains influence in the US-Iran debate, summed up fundamental US motives when he declared in a speech in January 1999 that Iran is simply "too large and too strategic" to be isolated within its region and beyond. He appealed for a resumption of diplomatic ties ahead of a resolution of differences. Significantly, he also called directly on Clinton and Khamenei to "embark on the rapid re-establishment of diplomatic relations".⁸³ These remarks were significant inasmuch as they sent a clear message to Iran that the US appreciated Khamenei's crucial role in any normalisation process. Albright picked up on at least some aspects of Vance's words later in January when she responded to a question about Iran and how the US could encourage moderate forces.

It is important that a country of that size, importance and location not be endlessly isolated. And we have looked, with great interest, at the election of President Khatami. And have tried to understand better what the election meant, how he reflects the will of the Iranian people. And have analysed, basically, that those who elected him came from a broad section of the Iranian population, but specifically included a lot of younger people and women. And we felt (that) bodes well in terms of the future.

⁸² "Iran-US Relations" *Iran Focus*, London, February 1999

⁸³ Cyrus Vance, "Address to Asia Society" New York, 13 January, 1999

But if you look at what has been happening, he clearly is going through a number of difficult political times, and there are a variety of internal factions and factors going on. We are watching for opportunities.⁸⁴

In Iran the internal debate has continued, although no one in the Khatami administration has been prepared or able to shift from the fundamental stance that Iran would not consider rapprochement unless the US changed its policies. The domestic political situation has been too volatile. However, some key figures on the fringes of the system have been prepared to speak out, fanning the debate.

For instance in February 1999, dissident senior cleric Ayatollah Montazeri, who, despite a large popular following and links to the Khatami camp, is currently under house arrest over criticism of Khamenei, called for studies of rapprochement with the US. The call was issued in the form of a bold open letter to theology lecturers in Qom. Montazeri stated that "the two countries' estrangement did not need to be permanent. This issue should be studied by foreign policy experts....away from factional considerations, and one should act resolutely if they conclude that it is in the interest of the country to re-establish relations". Notably, he gave an interpretation of the late Ayatollah Khomeini's stance on the matter, who is often cited by the conservatives opposed to rapprochement. "The late Imam called America the "Great Satan" and generally rejected all ties with it, but it is obvious that such a ruling is temporary and could change according to economic and political conditions."⁸⁵

To date, but no one as prominent had come out so openly placing such emphasis on exigencies and national interest considerations, although there had been intense behind-the-scenes debates and some press commentaries along these lines. Those

⁸⁴ Madeleine Albright, "Comments at Center for National Policy", Washington, 21 January, 1999

⁸⁵ Ayatollah Montazeri, "Open Letter on US-Iran Relations" *Khordad*, Tehran, 6 February, 1999

who had dared refer to the economic benefits and necessity of normalisation had been quickly shouted down by the hard-liners.

Influential Majles deputy, Javad Larijani, who in recent years has been more associated with the moderately conservative camp, picked up the theme in a press article in March, where he called openly for a restoration of ties with the US to be considered, if indeed it were in the national interest to do so. "Should Iran-US relations serve our national interests, then officials should naturally take measures to establish ties. Establishing relations, severing them or downgrading them are all subject to an essential criterion which is our country's interests."⁸⁶ While he was careful not to directly advocate a restoration, by highlighting that Israel and its Washington lobby would oppose Iran-US ties, Larijani obliquely hinted that he believed that normalisation would be in Iran's interest, as there is a consensus in the regime that Israel opposes anything that is good for Iran.

Positive signals continued to come out of Washington within the constraints of existing US policy. In March, the State Department welcomed the holding of local council elections in Iran describing them as a positive development and as representing "a further step towards increased popular participation in the Government"⁸⁷.

On 12 April 1999 Clinton commented to a gathering at the White House that "Iran, because of its enormous geopolitical importance over time, has been the subject of quite a lot of abuse from various Western nations". While Clinton's conciliatory comments apparently took his own advisers by surprise, they generated a cautiously favourable response in Tehran, although the predictable refrain was 'actions are what's needed, not simply words'. However, Khatami later described Clinton's remarks as courageous, commenting that "Clinton referred to an important and basic issue, which, if handled and settled, many

⁸⁶ "Javad Larijani on Iran-US Ties" *Sobh-e Emrooz*, Tehran, 8 March, 1999

⁸⁷ "US State Department Press Briefing", Washington, 1 March, 1999

issues will subsequently be solved".⁸⁸ Khatami was referring to US hegemonic policies and Clinton's remarks were viewed in Tehran as going some way towards acknowledging that reality, a key Iranian grievance. He was signaling Iran's desire to see a US policy shift as a mark of US good faith.

On 28 April the administration announced that sanctions on the sale of food and medicine to all countries currently under US sanctions, including Iran, would be lifted. This followed the passing of a non-binding resolution by the US Senate the previous month, urging the Clinton administration to approve the sale of grain to Iran. The issue had first arisen in August 1998 when the Iranian Government Trading Corporation, responsible for all of Iran's grain imports, had placed an order for \$500 million in grain with a US company. With grain prices depressed and US farmers struggling, certain members of Congress and the Senate had taken up the cause for exempting food from US sanctions, backed by the powerful US agricultural lobby. The decision has paved the way for grain sales to Iran, with the finalisation of the regulations governing such sales were released in late July 1999. The administration has been at pains to point out that the decision is governed by a desire not to use food and medicine sanctions as a tool of foreign policy, and is not meant as a gesture to Iran or any other country.

Iran's initial reaction to the move was low-key. The Iranians realised that this decision was primarily taken to benefit US farmers. Clearly it was not enough to give Khatami sufficient political currency to take a step towards the US. Foreign minister Kharrazi commented

We see greater realism from the US administration towards Iran lately.....The lifting of US food and medicine sanctions is good news for American producers since it serves their purposes. This is a unilateral move. We accept the lifting of sanctions when the US ban on the export of Iranian products to the US is lifted.⁸⁹

⁸⁸ "Khatami Interview" *Qatar al-Jazirah Space Channel TV*, Doha, 23 May, 1999

⁸⁹ "Interview with Kamal Kharrazi", *Kayhan International*, Tehran, 8 May, 1999

Iran appears to be holding firm. Despite an increased need for wheat imports this year, a senior Iranian official declared after the release of the US regulations that Iran had no intention of sourcing any grain imports from the United States while US economic sanctions remain in place⁹⁰. Iran clearly is determined to show that it does not need to do business with the United States, although pragmatic and price considerations may eventually dictate otherwise. In the meantime, Iran hopes that withholding its business will generate pressure on the US administration to lift sanctions on Iranian imports into the United States.

Shortly after the food and medicine sanctions were lifted in April, the US administration declined Mobil's long-standing request for an oil swap arrangement with Iran. This can be interpreted as a clear indication of the US administration's determination not to provide Iran any major unilateral concessions, particularly in the hard currency generating energy sector, without some concrete gesture from Tehran. Shortly before the Mobil decision, the US State Department had protested another major oil deal signed between European companies and the Iranian Government declaring

It's our understanding that the deal has been signed. We are both disappointed and concerned about this development. The US remains strongly opposed to investment in Iran's petroleum sector. We have repeatedly urged the governments of France and Italy at the most senior levels to discourage this investment.

As in all such cases, we will look closely at the facts of what has happened and we will be assessing the implications under ILSA (Iran-Libya Sanctions Act). If sanctionable activity is found to have occurred, we will decide upon and take appropriate action. We stand by Secretary Albright's statement at the US-EU summit last May concerning an expectation (of a waiver) with respect to EU firms. However, we have made clear to our European partners that an expectation is not a guarantee.⁹¹

Although the statement was little more than US bluster and a waiver is a foregone conclusion, ILSA reduces the administration's room for manoeuvre. The Congress would not oblige in repealing the legislation, and may even seek to

⁹⁰ Iranian Deputy Minister for Commerce, Masood Karbasian, quoted in *Tehran Iran News*, 26 July, 1999

renew it when it expires in August 2001. According to Republican Congressman, Bob Ney, it is unclear what the policy of a new Republican administration towards Iran would be and whether the Congress would be inclined to extend ILSA⁹².

Fresh Obstacles

The atmosphere for a breakthrough between the two countries has been made more difficult in the last few months by several issues. One of these is terrorism, with the retention of Iran - albeit no longer identified as the leading sponsor - on the US list of state sponsors of terrorism in its 1998 report, released in April this year. The report had this to say about Iran.

Iran continues to plan and conduct terrorist attacks, including the assassination of dissidents abroad. It supports a variety of groups that use terrorism to pursue their goals - including several that oppose the Middle East peace process - by providing varying degrees of money, training safe haven and weapons.⁹³

A potentially complicating issue for US-Iran rapprochement is the report's mention of "the March 1998 awarding by a US district court of \$247 million in damages against Iran to the family of Alisa Flatow, a US citizen killed in an Islamic Jihad attack in Gaza in April 1995. The court ruled that Iran was responsible for her death because it provided funding to Islamic Jihad"⁹⁴. Indeed, during Khatami's September 1998 visit to New York, Flatow's lawyers tried to seize his plane, but were prevented from doing so by the US Government. The US administration has also prevented the family from laying legal claim to disputed Iranian assets in the US, with a presidential waiver issued in October 1998. In response to the report, the Iranian Foreign Ministry rejected the

⁹¹ "US State Department Press Briefing", Washington, 2 March, 1999

⁹² Private conversation in Washington, July 1999

⁹³ "US State Department Report on Patterns of Global Terrorism: 1998", Washington, April 1999

⁹⁴ *Ibid*

allegations in familiar terms saying, "it is regrettable that the US Government which is itself one of the main supporters of terrorist groups and state terrorism, levels such baseless accusations against the Islamic Republic of Iran". He urged the United States to "correct its double standards policy".⁹⁵

Iran has long been emphatic in pointing out that it too has been a victim of terrorism, specifically of MKO attacks, the most recent case being the assassination of General Ali Sayyad Shirazi in Tehran in April 1999. It has accused the US of providing financial and political support for this group and allowing it to operate on US territory, despite it being placed on the US Government list of terrorist organisations in October 1997. While the MKO's subsequent initial legal appeal against the decision has been unsuccessful, it is still able to operate under other umbrellas, and continue to conduct a strong anti-Iran lobbying effort. In July 1999 it held an anti-Iran rally in Washington, attended by nine members of Congress, some of whom addressed the crowd.

US concerns about Iran's WMD programs arose again in April with the testing by Iran of a medium range surface-to-air missile, which could serve as a WMD means of delivery. The issue is a particularly worrisome one for the US, which has periodically accused Russia and China, North Korea and Pakistan of providing technological assistance to Iran in this area. While US Government officials privately concede that Iranian WMD ambitions are understandable given the regional security environment, they remain firm in vocally opposing any Iranian activity in this sphere. Martin Indyk, the US Assistant Secretary for Near Eastern Affairs, gave a speech shortly after the missile test, declaring that "Iran's determined development of ballistic missiles to enable delivery of its weapons of mass destruction over long distances has the potential to trigger a new and dangerous arms race across the region." Indyk said the US would focus

⁹⁵ "Iran Slams US Terrorism Accusations" *Reuters*, Tehran, 1 May, 1999

its efforts on preventing Iran from acquiring and developing WMD and ballistic missiles.⁹⁶

In April the US Senate introduced the "Iran Nuclear Proliferation Prevention Act" targeting in particular the International Atomic Energy Agency program of technical assistance to Iran. The bill would cut off US funding to the IAEA unless the IAEA terminated its assistance to Iran. The bill is likely to be vetoed by the administration even if it passes through the Senate. (A parallel bill was passed overwhelmingly by the House in July 1999.)

Iran remains defiant on this issue. For instance, the Iranian foreign ministry described comments Indyk made during a visit to the Gulf in June 1999 that Iran was pursuing WMD as "unfounded"⁹⁷ Around the same time, Khatami made a speech rejecting allegations that Iran was a security threat saying that its defence budget was low compared with those in the region.

US concerns over Iran's violent opposition to the Middle East peace process were raised again in May after Khatami met with representatives of various rejectionist groups in Damascus during his visit in May 1999. Indyk commented that the meeting showed that "Iran continues to oppose negotiations between Arabs and Israel"⁹⁸. However, the meeting can be interpreted as important for Khatami in demonstrating that in the absence of Israeli compromise, Iran was not prepared to demur from its support. In addition, the strong traditional identification within the Iranian leadership with the Palestinian cause probably contributed to his decision. Press reporting of what transpired in the meeting was bland, claiming that Khatami simply offered the groups Iran's continuing support. This was the version picked up by the US, over which it expressed

⁹⁶ Martin Indyk, "Address to the Council on Foreign Relations", New York, 22 April, 1999

⁹⁷ "Iranian Foreign Ministry Reaction to Indyk Comments", *IRNA*, Tehran, 23 June, 1999

⁹⁸ "US Assails Khatami on Meeting Rejectionists", *IRIB*, Tehran, 15 May, 1999

disappointment in Khatami. However, there is speculation⁹⁹ that Khatami was far more qualified in his comments to the rejectionist groups. Nonetheless, the meeting has provided additional ammunition to the Israel lobby in Washington to continue pressure on the administration to maintain a hard line with Iran.

Human Rights in Iran has also re-emerged as a significant impediment to a thaw in relations in recent months. Iran was bitterly disappointed with the passing of the UN Commission on Human Rights resolution on Iran in Geneva in April. The US was a co-sponsor. Iran had been so confident that the resolution would be voted down that it had brought in a film crew to record the occasion. In the same month, the White House issued a statement protesting the sentencing of four Bahais for teaching the religion. The statement read as follows:

Imprisoning people for the practice of their religious faith is contrary to the most fundamental international human rights principles.

We condemn the Iranian Government's persecution of the followers of the Bahai faith, and we urge President Khatami to ensure the immediate release of all Bahais who have been imprisoned for the observance and expression of their religion. We will continue to monitor the treatment of all minority religions in Iran.¹⁰⁰

The Bahai issue was eclipsed in June with the revelation that members of the Iranian Jewish minority had been arrested in February and March on charges of spying for Israel and the US. Both Israel and the US promptly denied that the detainees had any intelligence role. Albright described the arrests as "unacceptable". This only fueled Iranian hard-liners who insisted that this denial only reinforced the case against the Jews. Hard-line Iranian Judiciary chief Ayatollah Yazdi incited the crowd at Friday prayers in Tehran on 11 June into calling for the execution of the detainees.

This created an even greater uproar in the West and in Israel, prompting Khatami to issue a statement on 12 June pointing to the freedom of all religious minorities

⁹⁹ Private comment of Iran analyst with good connections to Khatami administration

in Iran and claiming responsibility for the protection of "every single member of every religious persuasion who lives in Iran and who has accepted the system of the Islamic Republic of Iran"¹⁰¹. Iran's UN Permanent Mission also issued a statement denying that the arrest of the Jews had anything to do with their religion or internal politics. It highlighted the fact that there were Muslims among the arrested group and that all would receive a fair trial.¹⁰²

Despite the Iranian Permanent Mission's denials, the arrests are indeed part of an internal domestic political struggle. The hard-liners who control much of the judicial and security apparatus have used this arrest partly to derail movement towards a thaw in relations with the United States as well as improving relations with the West. It is in the interests of the hard-liners to generate a climate of fear and insecurity, which will bolster their own authority. Khatami is constrained by his own rhetoric insofar as he has been a strong advocate of the rule of law. He does not want to be seen to be riding roughshod over the judicial process, even though there are serious doubts about the legitimacy of its methods.

The impact on US-Iran rapprochement is already being felt. According to the Washington Post, a quiet undertaking by the World Bank to restore Iran's qualifications for assistance has been stymied by the arrest¹⁰³. Opposition to such assistance has been led over the last few years by the US which has major influence over the World Bank. This was an area where the US administration was showing signs of flexibility until this incident.

Indyk, in a hearing before the House International Relations Committee on 9 June, expressed his concern over the gap between words and deeds on human rights. In reference to the arrests, he said

¹⁰⁰ "US Condemns Iran Sentencing" *Associated Press*, Washington, 21 April, 1999

¹⁰¹ "Espionage, Religion, and Politics" *Iran Report, Radio Free Europe*, Prague, 21 June, 1999

¹⁰² "Statement No. 179", *Iran's Permanent Mission to the UN*, New York, 14 June, 1999

we find it hard to reconcile President Khatami's words with the announcement yesterday that 13 members of the Jewish communities of Shiraz and Isfahan, including rabbis, would be charged with espionage. These arrests send a very disturbing signal. We call on the government of Iran to ensure no harm comes to these individuals and to release them.¹⁰⁴

July 1999 Student Unrest

The most recent event to impact significantly on prospects for rapprochement is the unrest in Iran which took place in July. Pro-reform, pro-Khatami students took to the streets to protest the closure of a reformist newspaper and the passing of a revised press law that would restrict freedom of expression. The hard-line conservatives and vigilantes struck back attacking the students, which triggered several days of demonstrations and rioting. The events shook the regime which quickly organised a pro-regime rally after brutally suppressing the unrest. They blamed foreign hands - ie. the US and Israel - as being behind the unrest.

In reality, the trouble was sparked by conservative hard-line groups in a deliberate attempt to create an atmosphere of fear and insecurity and halt political reform and rapprochement with the United States¹⁰⁵. Conservative tactics of accusing the reformists of endangering the revolution and blaming the US for conspiring to bring down the system underscore how difficult it is for Khatami and the reformists to move too quickly outside the established parameters of the system in a turbulent domestic political atmosphere.

The US Government reaction to events was deliberately low-key, so as to avoid giving ammunition to the hard-liners. At a State Department press briefing in mid-July, spokesman James Foley said

¹⁰³ "Loans to Iran Stall After Arrest of Jews", *Washington Post*, 23 June, 1999

¹⁰⁴ Martin Indyk, "Hearing before the House International Relations Committee", Washington, 8 June, 1999

¹⁰⁵ Diplomats and Iranian law enforcement contacts on the scene in Tehran have confirmed that the violence and chaos was instigated by hard-line security agents and other right-wing vigilantes acting as *agents provocateurs*.

We have followed with concern the reports of violence being used to put down widespread demonstrations by Iranian students in support of freedom of expression and democratic values and the rule of law. The rule of law cannot be achieved through repression of fundamental freedoms, including freedom of expression, association and assembly. We oppose the disruption of peaceful assembly through the use of violence and deeply regret the resultant injuries and loss of life. We call on the Government of Iran to protect peaceful demonstrators and to respect international human rights standards¹⁰⁶.

Anticipating that US sympathy might damage the students and pro-reform forces, Foley added that the US would stand up for the same rights in any country. A few days later, President Clinton expressed concern that US comments on the unrest could be misconstrued by hard-liners in Iran.

Frankly I'm reluctant to say anything for fear that it will be used in a way that's not helpful to the forces of openness and reform. I think that people everywhere, particularly younger people, hope that they will be able to pursue their religious convictions and their personal dreams in an atmosphere of greater freedom that still allows them to be deeply loyal to their nation. And I think the Iranian people obviously love their country and are proud of its history and have enormous potential. And I just hope they find a way to work through all this, and I believe they will.¹⁰⁷

Clinton's reference to freedom to pursue religious convictions is a clear signal that the United States respects the Islamic character of the regime and has no intention of plotting to replace it with a secular government. However, the careful comments of the administration were not enough to avoid being blamed for the unrest. In fact, even if the United States had remained silent, this would not have deterred the conservatives from accusing the US of plotting against the regime. The security authorities have since systematically moved to arrest and interrogate a large number of the reformist students. According to a Ministry of Information (Intelligence) statement, some of these students have allegedly been acting under the influence and guidance of "counter-revolutionaries" abroad¹⁰⁸. One student leader, Manochehr Mohammadi, who has been singled out, recently spent several months in the United States as part of a second-track diplomatic

¹⁰⁶ "US State Department Press Briefing", Washington, 12 July, 1999

¹⁰⁷ "Joint White House Press Conference with Israeli Prime Minister Barak", Washington, 21 July, 1999

initiative. This has been used against him and he has been forced to participate in a televised confession, reminiscent of the early years of the revolution.

Through such manipulation of events, the hard-line conservatives have succeeded in intimidating the reformist camp and in largely tying Khatami's hands. Most observers in Washington agree that in the current climate it will be difficult to see much progress towards rapprochement as any further gesture from the United States at this time could backfire. Conversely, Khatami and the pro-reform camp are unlikely to pursue any bold initiatives in an atmosphere of insecurity and fear. In short, the 'one step forward, one step back', in this case, possibly 'two steps back', scenario continues.

¹⁰⁸ "News Report" *IRIB Television First Program Network*, Tehran, 18 July, 1999

Conclusion

As clear from the previous chapter, Iran and the United States each remain acutely attuned to the signals and gestures of the other, despite a frustrating lack of progress. Neither side has been able to lower the 'wall of mistrust' sufficiently to achieve any breakthroughs and barriers to restored relations remain formidable. The current state of play between the two governments can be described as a standoff. In the absence of a substantial Iranian gesture, the US administration assesses it has gone as far as it can with its offer of an official dialogue with no preconditions. Although Khatami's philosophy and foreign policy indicate that he is clearly interested in seeking détente, mounting domestic political pressures give him even less latitude to make a significant gesture to the United States or accept the offer of dialogue, until Washington addresses key Iranian grievances. Entrenched conservative interests opposed to any rapprochement under Khatami would use every means at their disposal to derail any such moves by the Iranian president.

But Khatami has managed to precipitate a partial lifting of the taboo on public discussion of the possibility of restoration of relations. Such discussion has increasingly centered around what is ultimately in the national interest. Khatami's lack of room to manoeuvre on this issue means that he will continue to portray America as the *demandeur* in the process and hope that the US, when the time is ripe, will make a unilateral gesture sufficient to allow Khatami enough political capital to achieve the leader's endorsement for entering a formal dialogue.

At the same time, Iran is aware of the domestic political constraints on the US administration. This has driven Khatami, Kharrazi and others to periodically explain Iranian thinking about US concerns. But Khatami's capacity to curtail

the activities of concern to the US will remain limited, as long as his conservative adversaries retain such extensive power in the system, and remain determined to sabotage Khatami's policy of detente.

Normalisation is in the Two Countries' Respective National Interests

While the two countries could hypothetically remain perpetually estranged, respective national interest considerations will continue to prompt both sides to seek, however tentatively, a rapprochement. In the paper so far, I have dealt broadly with the philosophical underpinnings informing Khatami's policy of détente and dialogue, and in illuminating US policies, I have demonstrated America's overriding interest in the promotion of security and stability in an important region. However, I think it is useful to outline the range of interests on both sides, propelling moves towards a thaw in relations, despite the obstacles and setbacks.

US Interests

Successive US Governments have recognised the vital strategic importance of the Gulf region for the United States. Not only does it contain two thirds of the world's proven energy reserves, but it is also the nexus where three continents come together. Because of these factors, major powers have and will continue to compete for influence in the region. Even in the post-Cold War era, when the US has become the dominant global power, it cannot assume dominance over this region without active involvement in the region. Within the region Iran occupies a key position as the largest and most populous state, and one of its leading oil producers.

Another reason why the US must stay focused on the region is the proliferation threat. Not only Iran, but some of its neighbours, notably Iraq have or are developing nuclear, chemical and/or biological capabilities with the attendant risk

of an eventual regional and even global conflagration. Close US ties to Israel intensify the imperative it feels to contain any such threat. Policy makers are faced with a dilemma. They know that the current US policy of containment of Iran and Iraq is not proving successful, particularly in the case of Iran, and they are looking for a 'formula' or 'road map' to achieve a breakthrough with Iran.

The US can either tighten the screws on Iran, including through geo-strategic encirclement, in the hope that the current regime will collapse or that it will eventually capitulate to US demands. Alternatively, Washington can seek détente and engagement with the current regime in Iran, by offering incentives and scaling back punitive sanctions. This latter course, though there are many variables when it comes to devising specific strategies, may in the longer term serve US regional strategic aims more effectively. On the other hand, as the pro-Israel hard-liners argue, the latter approach might only end up strengthening an Iran that remains doggedly defiant of US policies. Economically, US policy makers agree that engagement will yield a range of commercial opportunities for US companies in what is a large and potentially lucrative market. This alone is an increasingly compelling argument for the US to adopt a strategy of engagement. As discussed, US policy is currently caught somewhere in between - that of dangling some 'carrot' but mainly making use of 'stick'. In other words, it is unwilling to abandon punitive policies, but at the same time is keen for dialogue.

Iran's Interests

As we have seen, Iran has defiantly declared that it has no need for relations with the United States. But this is little more than revolutionary bravado in the face of continuing punitive US policies towards Iran. Khatami and most in the regime realise that, whatever the risks of engagement with the US to Iranian independence, the current estrangement is highly damaging to Iran's interests on many fronts. As we have seen, Khatami is firmly committed to the notion that Iran cannot afford to ignore indefinitely the reality of US global political and

economic clout. It knows that in an economically interdependent world, the US can continue to damage and erode Iran's economic fortunes, or conversely, it can provide great assistance. A failing economy means an increasingly restive population with consequences for the very survival of the Islamic regime. This is an increasingly real and worrisome possibility for the regime leadership.

Fears of falling again under US hegemonic influence - political, strategic, economic or cultural - are not totally unfounded, but this is something most countries have to contend with to a greater or lesser extent in their dealings with the United States. Khatami knows that building a strong and prosperous Iran is the key to the regime's survival, and that continuing US containment policies towards Iran could derail the experiment of Islamic government. His domestic reforms and foreign policy of détente are aimed at ensuring the survival of the Islamic Republic, even though he realises that the reforms will mean that some in the system have to forfeit their positions of unchecked privilege. This is a fundamental difficulty Khatami faces. In short, many entrenched interests in the regime remain fearful of the ultimate ramifications of engagement with the United States. Therefore, they are sceptical of Khatami's view that the risks of continuing estrangement outweigh those of engagement.

Prospects for Normalisation

Starting from the premise that Iran and the United States will inevitably normalise relations, based on respective national interests outlined above, I will conclude by providing an analysis of the short, medium and long term prospects for normalisation, outlining various scenarios.

Short Term Prospects

I define "short term" as "one year". As we have seen, there has been little substantive progress to date towards rapprochement, despite moves on both

sides over the past two years. Looking ahead a year, one must be very pessimistic about the prospects for any breakthrough to dialogue and eventual normalisation. Currently, the levels of distrust and suspicion on both sides remain too high. The road will continue to be rocky and unpredictable. Various issues, the detained Iranian Jews and, most recently, the student unrest will continue to sour the atmosphere further in the months ahead. Politically, on both sides of the fence, the conditions are not ripe for a decisive move to dialogue and normalisation. Forces on both sides opposed to rapprochement will continue to seek to inflame the atmosphere.

On the US side, the Israel lobby remains strongly opposed to Iran and will fiercely resist any US responsiveness to Iranian demands for unilateral US action to change punitive policies. With a Republican-dominated Congress, it would be fanciful to think that Congress would agree to dismantle sanctions legislation against Iran going into a US presidential election year. Moreover, Iran has just been retained on the terrorist list, there is an uproar in the US over leakage of sensitive military technology to China, and new legislation targeting Iran's nuclear programs has just been tabled in the US Senate. In such an environment, it is difficult to see a decisive unilateral move from the US of the kind that would allow the Khatami administration to agree to come to the table. The only light on the immediate horizon is the prospect of some movement in the Middle East peace process, that could lead to an early Israeli withdrawal from Lebanon, with a concomitant ending of Iranian military support to the Lebanese Hizbullah. However, progress in this area alone would not be sufficient to prompt a decisive unilateral gesture by the United States to Iran.

The Khatami administration is probably even more constrained in taking the step to official dialogue with the US, far less normalisation within this period. For the last two years Khatami has been under intense political pressure from hard-line opponents. The recent unrest is symptomatic of the unstable atmosphere and pressures on Khatami and the reformist camp are expected to intensify in the lead

up to the Majles elections in February 2000. The main reason is that the Majles elections will be pivotal in the factional power struggle and there is a chance that the Khatami camp may manage to take control of the Majles. The stakes are very high. Khatami's control of the Majles would help him consolidate his control over more of the key centres of power, through a reformist legislative program. But even if the Khatami camp succeeds in winning the Majles, consolidation of power will take time, as Khatami eschews the "crash or crash through" approach.

Conscious of the potential for internal upheaval and open conflict, Khatami has so far opted to move ahead cautiously with the implementation of his policies. The recent unrest will make him even more cautious. His main pre-occupation remains the economy as well as domestic political and judicial reform and greater accountability in the system. Despite widespread popular support, Khatami currently lacks the political currency to attempt a bold unilateral step to dialogue with the US, even if he assesses such a move is in Iran's economic interests. If he were to do so, in the current climate he would make himself extremely vulnerable to attack from hard-liners that he has betrayed the principles of the revolution and has capitulated to American pressure. At this stage, Khatami needs to portray the United States as the one desperately seeking rapprochement. In short, in the absence of significant shifts in US policies, Khatami is unwilling and probably unable to respond to the US invitation for a political dialogue within this time frame.

Medium Term Prospects

I define medium term as one to three years. The prospects for commencement of dialogue in this period are very good, while those for full normalisation are probably only fair. The main factor affecting prospects will be domestic political developments in Iran. Iran is very well aware of US concerns, but the existence of several power centres in the regime makes it difficult for the Khatami

administration to control the behaviour of those in the revolutionary organs, principally the Revolutionary Guard Corps, who are most closely involved with radical groups abroad, missile and WMD development, activities in southern Lebanon and hits on the MKO and other opposition groups. The next three years will probably see Khatami consolidate his hold over the key centres of power, including the Majles, with a continuing evolution towards a civil society, rule of law and greater accountability in the system. The process is largely unstoppable - though there will be setbacks and convulsions along the way - and attempts to turn back the clock to a more autocratic structure risk major internal upheaval. While, there are those who have accused the conservatives of plotting to remove Khatami, such a move is unlikely while Khatami remains so popular. Conservative attempts to discredit him have so far backfired, simply reinforcing a perception that he is being sabotaged and is therefore not responsible for the continuing hardships of ordinary Iranians. Even those who grumbled about his unwillingness to point the finger at the hard-liners during the recent unrest¹⁰⁹, are still generally sympathetic. A Khatami victory for a second term commencing in 2001 is highly probable, given this enduring popularity and the lack of a viable alternative. We can therefore expect a continuing pursuit of the Khatami vision, which includes détente with the United States, based on Iran's national interests.

Once he has achieved political reform, Khatami will be better placed to take more decisive action to address economic reform. Iran cannot afford to dally with economic reform. The Government is well aware of the dire need for alleviating economic hardship, which will worsen further if meaningful microeconomic reform and worsening macroeconomic indicators are not addressed. For instance, in the next two years, the number of new jobs required is expected to rise to

¹⁰⁹ While condemning the attack by hard-liners on students along with the leader and other senior regime figures, Khatami fell into line with the official position that the subsequent rioting was the work of people backed by foreign hands. He did not publicly condemn the hard-line agents who continued to stir up trouble. It is clear that Khatami felt compelled to avoid undue provocation of his conservative opponents, with its attendant risk of triggering even greater chaos. Like others in the regime, his overriding concern is preservation of the system and maintenance of at least a façade of unity among the leadership.

700,000 to 800,000 per year, reflecting Iran's young population (65 per cent are under 25). Iran, which currently has a negative GDP growth rate of between minus two and minus three per cent, will need to achieve a growth rate of six per cent to achieve the required job creation level. Iran's unemployment rate already stands at close to 20 per cent. While loathe to admit it, the Government knows that rapprochement with the US would prove a timely and much-needed boost to Iran's economy. Entering into a dialogue with a view to normalisation would restore investor and consumer confidence in the economy and Iran would eventually gain better access to international finance on more favourable terms.

It is clear that a decision to enter a dialogue with the US could easily be justified on national interest grounds. Khatami, backed by popular expectations and wider control over the various levers of power in the system, will be in a stronger position to convince the leader, Khamenei and other senior figures in the regime that the time is ripe for dialogue. The leader is increasingly aware of the importance of remaining sufficiently mindful of public opinion, and this point would be reinforced further if there are more incidents of popular protest. To continue to ignore popular wishes would make the leader vulnerable to removal, although Khatami is unlikely to move to oust him.

While the above scenario of a re-elected and more powerful Khatami is probably the most plausible, there is always a considerable element of unpredictability in Iranian politics. Hard-line conservatives, who feel they are being gradually marginalised and losing "their revolution", may opt to take extreme measures to maintain power. As we have seen, there has already been a concerted campaign to undermine Khatami. It is not inconceivable that Khatami could be the target of an assassination and/or that the hard-liners could encourage further rioting, violence and upheaval which would require the imposition of tough security measures. Such measures would play into the hands of the hard-liners by putting a halt to political reform, stalling moves towards decisive economic reform and leading to the indefinite postponement of elections. This would delay any steps

towards a dialogue and rapprochement with the US until the turbulent political atmosphere settled. In such a case however, it is possible that a strongman, appealing to nationalist sentiments, could seize power in a coup d'etat, quell the turmoil and then move decisively to normalise relations with the US.

Another tactic the hard-liners could use to derail any prospects of a dialogue would be a terrorist attack on American or Israeli interests. This would sour the atmosphere so much that Iran could even be at risk of retaliatory military strikes. The fact that Khatami did not have prior knowledge of or authorise the attack would do little to mollify the Americans and Israelis. In such a case, perhaps the only course of action open to Khatami to regain credibility in the eyes of the US and Israel would be to arrest and try the perpetrators. Extradition would be out of the question. However, the damage to prospects for dialogue in the medium term would have been already done. If such an attack occurred after the Iranians commenced dialogue with the Americans, then there would be a better chance for damage control, provided the Khatami administration immediately condemned the attack and undertook to bring the perpetrators to justice.

If Khatami consolidates his power sufficiently to achieve internal agreement to a dialogue before the end of the Clinton term, it is conceivable that a timetable could be agreed on normalisation, but it would be very unlikely to occur until after the beginning of the new US administration in January 2001. The Iranian side would probably be reluctant to deal with a lame duck presidency and the presidential race will make bold unilateral foreign policy initiatives difficult for the current US administration. The new US administration, particularly if it is a Republican one, would probably be reluctant to make normalisation with Iran one of its first foreign policy initiatives, given the difficulty of carrying the Congress along. An opportunity for decisive movement will be presented by the expiry of the ILSA legislation in August 2001. This could be the catalyst for the new US administration, whether Democratic or Republican, to overhaul its Iran policy, prompting Iran to agree to talk. Normalisation could then be achieved within

another year, with understandings, if not resolution, reached on all outstanding issues.

Long Term Prospects

I define long term as three to ten years for the purposes of this analysis. To deal with "long term" as a totally open-ended time frame would render analysis meaningless, given my basic premise that eventual normalisation is inevitable, based on respective national interest. I assess that prospects for normalisation are excellent within my defined "long term" time frame.

Extrapolating on the trends outlined under the medium term scenarios, it is clear that the march of time will assist the environment for normalisation. The Iranian revolution is maturing and there is a social evolution taking place that is not dependent on the personage of Khatami or any other individual. In any case, Khatami is likely to be in power another six years and any successor is likely to reflect a similar or even more reformist agenda. As earlier mentioned, this is because the Khatami agenda reflects the evolutionary process underway towards a more open society. Even in the case of a major upheaval in Iran, a terrorist attack against US and Israeli interests, or an overthrow of the regime, the natural evolution of the system cannot be stopped. Certainly such an upheaval or sabotage following Khatami's second term, particularly if it occurred before Iran had agreed to a dialogue, could delay normalisation beyond my ten-year time frame. But that scenario is unlikely, given the political evolution taking place.

Another factor helping prospects for normalisation in the long term is increasing globalisation and the communications revolution, breaking down borders and creating inter-dependencies. In this environment continuing estrangement is increasingly unsustainable for both countries.

If, as I have argued, the prospects of Iran agreeing to a dialogue are good in the medium term, then it is logical to conclude that the prospects of normalisation in the long term are excellent. Iran's agreeing to a dialogue to iron out differences is the crucial turn in the road, which then will inevitably lead to normalisation, no matter how difficult and protracted the rapprochement process becomes.

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